ARCONA PROPERTY FUND N.V.

ANNUAL REPORT

2020

Artist impression 2 floor extension project
on Politických vězňů 10 in Prague

CONTENTS

APF KEY FIGURES

KEY FINANCIAL METRICS

REVENUES AND EARNINGS (in € 1,000)

	2020	2019	Change
Gross rental and service charge income	10,313	11,059	-/- 7%
Net rental income	4,399	5,220	-/- 16%
Direct result before tax	-/- 321	1,422	-/- 123%
Indirect result before tax	-/- 3,251	-/- 905	-/- 259%
Total result before tax	**-/- 3,572**	**517**	**-/- 791%**
Tax	217	424	-/- 49%
Total result after tax	**-/- 3,789**	**93**	**n.m.**
Earnings per share	-/- 1.01	0.03	n.m.
Adjusted Earnings per share	-/- 0.02	0.18	-/- 111%
Dividend per share	0.00	0.10	-/- 100%
Cost ratio (excl. direct vacancy costs)	9.95	11.13	-/- 11%

BALANCE SHEET (in € 1,000)

	31-12 2020	31-12 2019	Change
Investment property and inventories	81,076	83,815	-/- 3.3%
Assets held for sale	9,861	18,785	-/- 47.5%
Equity	42,954	48,323	-/- 11.1%
NAV per share	12.31	13.50	-/- 8.8%
NNNAV per share	11.84	13.14	-/- 9.9%
Net Loan-to-Value (**LTV**)	47.00	50.00	-/- 6.1%
Number of ordinary shares outstanding	3,758,683	3,758,683	0.0%
Weighted avg. number of shares outstanding[1]	3,758,683	3,249,842	15.7%

KEY PORTFOLIO METRICS

	31-12-2020				31-12-2019
	Offices	Retail	Other	Total	
Number of properties	11	10	3	**24**	27
Market value (in € million)	57.9	22.2	9.8	**89.8**	101.1
Annual net rental income (in € million)	n/a	n/a	n/a	**4,399**	5,220
Lettable area (in m^2)	n/a	n/a	n/a	**92,174**	111,906
Weighted average occupancy (in %)	n/a	n/a	n/a	**83.6**	83.3
Weighted remaining maturity of loans and borrowings (years)[2]	n/a	n/a	n/a	**2.35**	3.11

[1] See 15.41.3
[2] See 15.42.14

BALANCE SHEET STATEMENT (in € 1,000)

	2020	2019	2018	2017	2016	2015
Investment properties	79,258	80,992	89,032	89,798	74,806	53,272
Other non-current assets	656	929	680	523	1,548	1,523
Current assets	14,508	25,577	2,945	7,660	7,598	1,408
Total assets	**94,422**	**107,498**	**92,657**	**97,981**	**83,952**	**56,203**
Shareholders' equity	42,954	48,000	40,911	42,036	36,452	28,569
Deferred tax liabilities	4,143	4,684	4,606	4,295	4,177	4,271
Other non-current liabilities	18,301	33,448	26,519	43,942	25,195	21,010
Current liabilities	29,024	21,366	20,621	7,708	18,128	2,353
Total equity and liabilities	**94,422**	**107,498**	**92,657**	**97,981**	**83,952**	**56,203**
Loan-to-Value (in %)	47.0	50.0	50.5	52.7	49.3	41.0

PROFIT AND LOSS STATEMENT (in € 1,000)

	2020	2019	2018	2017	2016	2015
Direct result before tax	-/- 321	1,422	1,482	3,161 [3]	-/- 325	707
Indirect result before tax	-/- 3251	-/- 905	-/- 1,336	3,250	-/- 208	-/- 6
Total result before tax	**-/- 3,572**	**517**	**146**	**6,411**	**-/- 533**	**701**
Income tax expense	217	424	352	842	-/- 241	263
Total result after tax	**-/- 3,789**	**93**	**-/- 197**	**5,569**	**-/- 292**	**438**
Occupancy (in %)	83.6	84.3	86.9	84.0	80.7	78.0
Rentable area (in m^2)	92,174	111,906	103,849	104,186	100,673	80,754

ISSUED CAPITAL

	2020	2019	2018	2017	2016	2015
Ultimo outstanding shares	3,758,683	3,758,683	3,165,149	3,165,149	3,165,149	1,438,704
Basic earnings p.share (in €)	-/- 1.01	0.03	-/- 0.06	1.76	-/- 0.14	0.25
Earnings (in €)	-/- 0.63	-/- 0.01	0.38	0.37	n.a.	n.a.

DATA PER SHARE

	2020	2019	2018	2017	2016	2015
(Interim-) dividend	n.a.	0.10	0.35	0.24	n.a.	0.35
NAV conform EPRA [4]	-	-	-	-	11.69	20.30
NNNAV conform EPRA	11.84	13.14	13.65	14.05	-	-
Avg. monthly turnover (in €)	75,006	198,217	260,359	231,240	102,192	387,413
Highest share price	6.29	5.91	7.95	7.40	8.15	9.51
Lowest share price	3.70	7.48	6.79	5.20	5.00	6.84
Ultimo share price	3.93	6.00	7.10	7.40	5.40	8.35

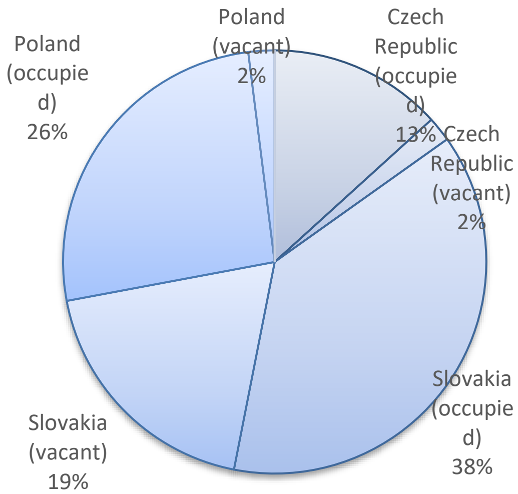
[3] Including € 1.88 million results on disposals of properties
[4] As of 2017 the EPRA NAV calculation method changed, see chapter 7

APF REAL ESTATE PORTFOLIO AT A GLANCE

PORTFOLIO BREAKDOWN (YEAR-END 2020)	# assets	Value (in € m)	Value (in %)
Offices	8	47,989	46.1
Retail centers	10	22,172	23.3
Apartments	1	6,665	8.1
Land	2	3,088	3.9
Total investment	**21**	**79,914**	**81.4**
Held for sale	3	9,861	18.6
Total portfolio	**24**	**89,775**	**100.0**

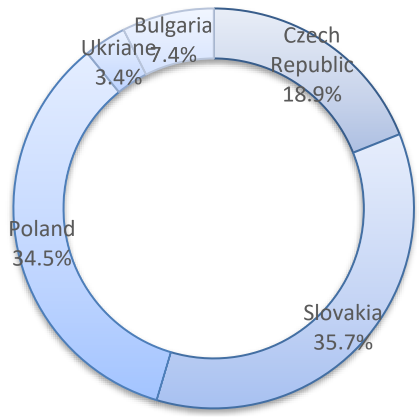
Portfolio occupancy (space) rate per country

The vacancy in the Slovak portfolio is high in relation to other markets. This reflects the nature and occupational use of the assets located there.



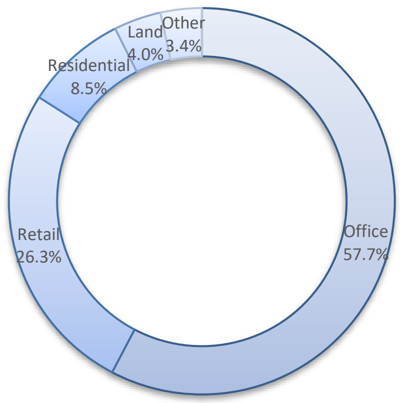
Real estate portfolio[5]
Fair value per country

The Fund strategy aims for a distribution of Poland 40%, Czech Republic 20%, Slovakia 10%, other CEE 30%, this is based on a target € 500 million portfolio.



The use of space
within the total real estate portfolio

The physical space distribution within the portfolio shows space use as (1) office, (2) retail and (3) other uses like student accommodation.



[5] including assets held for sale

1 ARCONA PROPERTY FUND N.V.

Incorporation
Arcona Property Fund N.V. (the **Fund**) is an investment company with variable capital within the meaning of article 76a of Book 2 of the Dutch Civil Code. The Fund was incorporated on 27 November 2002 by a notarial deed executed before Prof. D.F.M.M. Zaman, civil-law notary in Rotterdam.

Registered Office and entry in Trade Register
The Fund is registered in Amsterdam and is entered in the Trade Register of the Chamber of Commerce under number 08110094.

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De Entree 55 – floor 11
NL 1101 BH AMSTERDAM
the Netherlands
Tel: +31(0)20 82 04 720
E-Mail: info@arconacapital.com
Website: www.arconapropertyfund.com

Supervisory Board
The Supervisory Board of the Fund comprises:
Mr H.H. Kloos (chairman)
B. Vos M.Sc.

The members of the Supervisory Board have chosen domicile at the offices of the Fund.

H.H. Kloos, RBA, was born in Nijmegen (NL) on 1 September 1957. Mr. Kloos has been appointed in 2014 and is a former director of VVAA Groep B.V. and FBS Bankiers N.V. Mr. Kloos is currently owner of Kloos Consultants B.V. and was appointed on an interim basis as managing director of several companies such as Robein Bank, Middle Europe Investments N.V., Palmer Capital Fondsenbeheer B.V., De' Medici Vermogensbeheer B.V. and Auragenix N.V. Mr. Kloos is currently managing director a.i. of De' Medici Vermogensbeheer B.V. ,Mayflower Project [USA], chairman of the commission of Investment Analysts with DSI and member of the Advisory Board with De' Medici Vermogensbeheer.

B. Vos M.Sc. is currently also Chairman of MEI-Middle Europe Opportunity Fund N.V. i.l., Middle Europe Opportunity Fund II N.V. i.l., Middle Europe Opportunity Fund III N.V. and Chairman of the Supervisory Board of Kempen Capital Management N.V.

Managing Board
The Fund is managed by Arcona Capital Fund Management B.V. (**ACFM** or the **Managing Board**). ACFM was incorporated under the name Midden-Europa Fondsenbeheer B.V. (subsequently changed into MEI-Fondsenbeheer B.V.) on 10 June 2002 by a notarial deed executed before Mr. C.E.M. van Steenderen, public notary in Rijswijk. By a notarial deed executed before Mr. J.G.R.C. Prinsen, public notary in Deventer on 8 June 2012 the name of the Managing Board has been changed to Palmer Capital Fondsenbeheer B.V. By a notarial deed executed before Mr J.G.R.C. Prinsen, public notary in Deventer in April 2016 the name of the Managing Board has been changed to Arcona Capital Fund Management B.V.

The Managing Board currently has the following directors:
G.St.J. Barker LLB FRICS
P.H.J. Mars M.Sc.
H.H. Visscher

The Managing Board has chosen domicile at the offices of the Fund. More information can be found on the website: www.arconapropertyfund.com

Stichting Prioriteit
Stichting Prioriteit (the **Foundation**) of the Fund is managed by a managing board consisting of two members:
G.St.J. Barker LLB FRICS
H.H. Visscher

Auditors
Deloitte Accountants B.V.
Gustav Mahlerlaan 2970
NL 1081 LA Amsterdam
the Netherlands

Legal Advisor
Loyens & Loeff N.V.
Blaak 31
NL 3011 GA Rotterdam
the Netherlands

Listing Agent
ABN AMRO Bank N.V
Gustav Mahlerlaan 10
NL 1082 PP Amsterdam
the Netherlands

Administrator
KroeseWevers Accountants B.V.
Colosseum 1
NL 7500 AC Enschede
the Netherlands

Depositary
CSC Depositary B.V.
Woudenbergseweg 11
NL 3953 ME Maarsbergen
the Netherlands

Financial Calendar 2021

Publication of trading update of 1st quarter 2021	28 May 2021
Publication of semi-annual report 2021	31 August 2021
Publication of trading update of 3rd quarter 2021	9 November 2021

Identification codes
The ISIN code is NL0006311706
The REUTERS code is ARCPF
The BLOOMBERG code is ARCPF:NA

The Managing Board holds a license to manage Investment Institutions in the sense of Section 2:65 Wft (Act on the Supervision of Investment Institutions, Wet op het financieel toezicht).

2 FOREWORD FROM THE MANAGING BOARD

Now over one year into the COVID-19 pandemic, its impacts on the societies and economies of Central and Eastern Europe are becoming apparent. The impact on the Fund´s operations is set out in detail in this report but can be summarised briefly here. Annual gross rental income dropped by 8.9%, reflecting Government-imposed lockdown restrictions on retail, educational and sporting premises. This was broadly in line with our mid-case forecasts of April 2020. Capital values dropped by 2.1%, reflecting general market caution and concerns about the sustainability of rental levels. Transaction activity was not affected as badly as had initially been feared, with the Fund able successfully to execute three planned sales of non-core buildings, two office properties in Slovakia and one retail property in Poland, in the course of the year. Refinancing efforts, which were an urgent priority of Management for 2020, were initially subject to delay as existing and potential lenders adopted a “wait and see” policy. This required the Fund to negotiate short-term facility extensions with concomitant higher fees and costs. However, sentiment improved in the second half of the year enabling the refinancing of several important loans to be secured, in each case on improved terms.

Overall, the Fund´s portfolio and its financing structure have proved resilient to the challenge of the pandemic. It has continued to meet its financial obligations in full, to maintain its occupancy rates and to maintain the physical fabric of the asset portfolio. In parallel, the sales programme has continued successfully to dispose of non-core and illiquid assets, whilst successful refinancing efforts have extended the average term of the Fund´s debt from 1,6 years to 3,1 years. Against a background of improving sentiment and loosening restrictions, Management will continue to focus on these themes during 2021, with the aim of presenting shareholders with clear, attractive and attainable strategic options by year-end.

Highlights from 2020

1. COVID-19 pandemic
From mid-March 2020 the Fund´s portfolio has been affected by the economic impact of the global COVID-19 pandemic and by the actions instituted by government authorities to limit the spread of the disease. In most of the countries in which the Fund operates these actions have included the closure of certain retail, hospitality, educational and sporting/fitness facilities. This has resulted in delayed and reduced rental payments across the Fund´s portfolio.

2. Extension secured bank loan Alpha Bank
On February 25, 2020 the Fund announced it had reached an agreement with Alpha Bank for the extension of the secured bank loan for the acquired Boyana Residence Project in Bulgaria. This meets the requirements that the Fund had set for the definitive takeover of the project.

3. Sale of apartment block 2-A Boyana Project
On February 25, 2020 the Fund announced it had agreed the sale of apartment block 2-A (including 16 parking places) within the Boyana Project in Sofia, Bulgaria, for € 999,000. The entire proceeds were used for the partial repayment of the secured bank loan with Alpha Bank (including accrued interest);

4. Sale of Graniczna
On March 30, 2020 the Polish property Graniczna 80-82, Kalisz was sold for PLN 4,357,000 (€ 983,000);

5. Extension and expansion of lease agreement with AT&T
On April 20, 2020 the Fund agreed with its biggest tenant, AT&T, a 2-year extension of their lease in the Letna 45 property in Košice, Slovakia to April 30, 2025 as well as an expansion of their leased area by 745 m2, to 6,555 m2. The agreement increases the annual rental income from the property by € 57,000;

6. Extension secured bank loan from DNB Bank Polska

On June 10, 2020 the Fund's secured bank loan from DNB Bank Polska of € 5,900,000 was extended until November 30, 2020. The interest rate remains at the current level of 3M-Euribor + 4.0%. The Managing Board is in discussion with another credit institution to refinance the loan.

7. Sale of Kriva's

On September 21, 2020 the Slovak properties Kriva 18 and Kriva 23, Košice were sold for € 5.85 million.

3 ARCONA PROPERTY FUND IN BRIEF

General
The Fund is an investment company with variable capital incorporated under Dutch law and registered in Amsterdam. The shares have been listed on Euronext Amsterdam since 2003. Since 31 October 2018 the Fund is also listed on the Prague Stock Exchange (the **PSE**). The Fund invests in commercial real estate in Central and Eastern Europe (the **CEE**).

The Fund offers several important features that distinguish it from other real estate funds:
- The focus on Central and Eastern Europe;
- Local representation of Arcona Capital with its own offices in Amsterdam (Netherlands), Munich (Germany), Prague (Czech Republic), Sofia (Bulgaria) and Warsaw (Poland);
- Access to regional property management knowledge and facilities;
- Long-term management experience in Central Europe (since 1992).

Managing Board
Arcona Capital Fund Management B.V. is the Managing Board of the Fund. On 24 January 2006, it obtained from the AFM a permit under the Wft.

Fund Structure and tradability
The Fund is a closed-end investment institution and its shares are listed on Euronext Amsterdam and the Prague Stock Exchange.

Strategy
The Fund is one of a limited number of listed and regulated property vehicles active in the CEE region, providing regional market exposure for both private and institutional investors. It aims to provide capital preservation and a high dividend yield through a diversified and liquid vehicle managed by property specialists with a fiduciary mind-set. This is a key differentiation from the other listed stocks in the region, which are either very sector-specific or are primarily development-focused with a higher risk profile.

The costs of maintaining such a structure, offering daily trading in the shares, are high and impact disproportionally on smaller funds. Accordingly, since 2012 the Fund has pursued a growth strategy to achieve both critical mass and adequate investment diversification. Over the past 8 years, the Fund has doubled in size, expanded into 3 new regional markets and into the convenience retail and residential sectors.

A continuation of this growth strategy does, however, require additional equity funding. The development of the Fund´s share price, particularly since the outbreak of the COVID-19 pandemic, has been disappointing and is effectively limiting the Fund´s ability to raise fresh equity and to continue to grow. With the Fund´s prevailing share price discount (67% as at end 2020) to Net Asset Value, the use of cash resources to acquire new properties is not an efficient use of funds. This therefore requires an adjustment of the Fund´s strategic aims, which will need to be undertaken in consultation with shareholders. Whilst this consultation is under way, the Fund will not acquire any further properties using cash from operations, sales or reserves.

Continued strong focus on operations
The Fund continues to reduce operational cost ratios (see table 8 on page 21) and improve occupancy levels in the existing portfolio. The Fund will continue to identify and realise opportunities to add value to the existing portfolio by redevelopment and refurbishment.

Portfolio management through selective investments and disposals in core markets
Going forward, the Fund has a clear strategy for its core markets, focusing on regional sectors with above-average growth potential and limited international competition. The Fund will continue to dispose of assets that are not aligned with its strategic focus if favourable opportunities for completing such disposals arise.

Maintaining a prudent financial strategy that supports growth

The Fund intends to maintain its prudent financial strategy of conservative leverage, targeting a Loan-to-Value ratio in the range of 45% - 50% (as at 31 December 2020: 47.0% including the outstanding convertible bonds), although a Loan-to-Value percentage of up to 60% is possible.

The Managing Board has regard to the need for flexibility, in particular the ability to sell real estate from the portfolio without incurring high debt finance breakage costs. The Fund prefers to use several different financiers, so as not to be dependent on just one party.

Investor relations and information supply

The Fund strives to achieve open, timely and clear communication with private and institutional investors, asset managers and other interested parties, and endeavours to configure its public and investor relations' policy accordingly. Currently the Fund's investors are largely private investors and asset/wealth managers.

Corporate Governance

Clarity and transparency in supervision and accounting is considered by the Fund to be the cornerstone of good management and entrepreneurship. The Fund aims for a sound system of corporate governance, with its strategy and investment objectives clearly defined and its operations effectively monitored by the Managing Board, Supervisory Board and independent external parties.

Diversity

The Dutch Corporate Governance Code requires the Fund to have a diversity policy for the composition of its Supervisory Board. The Supervisory Board of the Fund currently comprises two persons, appointed by the shareholders on the basis of their relevant experience, language skills and professional qualifications. If the membership of the Supervisory Board is expanded in the future, the opportunity may be taken to broaden its composition in respect of such factors as age, gender and geographical experience. The Managing Board of the Fund is ACFM. ACFM is not required by the Dutch Corporate Governance code to provide information on its diversity policy.

Fund governance

The Managing Board endorses the DUFAS Principles of fund governance, as formulated by the Dutch Fund and Asset Management Association (**DUFAS**). Following these Principles, the Managing Board will act in the interests of investors of the funds the Managing Board manages. In case of a possible conflict of interest, transactions will be submitted to the Supervisory Board for approval.

DUFAS principles of fund governance are presented on the website of DUFAS.

Portfolio and historical returns

As at 31 December 2020, the Fund's real estate portfolio comprises 24 properties, located in two cities in the Czech Republic, three cities in Slovakia, eleven cities in Poland, two cities in Ukraine and one city in Bulgaria. The majority of the rentable area is designated as modern suburban retail space or flexible secondary office space and the remainder is mostly (student) accommodation space. The fair value of the 24 properties as at 31 December 2020 was € 89.78 million [6], a 2.1% decrease compared to the € 91.69 million value of same portfolio[7] of 24 properties ultimo 2019.

Table 1 – Development of the annual return on Net Asset Value per share

	2020	**2019**	**2018**	**2017**	**2016**	**2015**
Return [8] (in %)	-/- 9.9	-/- 2.6	-/- 1.1	15.2	-/- 1.3 [9]	2.3

[6] Including assets held for sale, investment property under development and inventory apartments

[7] Without the apartments 2A

[8] Including shareholder distributions

[9] Based on comparable Net Asset Values, corrected for shares issued.

4 PRE-ADVICE OF THE SUPERVISORY BOARD

To the general meeting of shareholders

This annual report of the Fund has been prepared by the Managing Board. This report contains the financial statements for the period from 1 January to 31 December 2020. The financial statements are audited and have been approved by Deloitte Accountants N.V. The auditor's report is presented on pages 177 - 184. The Supervisory Board has received notice of this approval.

The Supervisory Board recommends the financial statements for the year 2020 to the General Meeting for approval.

Meetings and activities of the Supervisory Board

In view of the market volatility resulting from the COVID-19 crisis the Supervisory Board increased the frequency of its meetings with the Managing Board. During 2020, the Supervisory Board had thirteen meetings (2019: seven). During these meetings, the Supervisory Board discussed the (administrative) organization, the investment strategy, the commercial strategy and financial reporting of the Fund. These meetings were attended by the Managing Board.

Dividend policy

The current dividend policy is to pay out ca. 35% of the annual net operational profit as dividend. A combination of cash dividends for shareholders and retention of a portion of earnings to reinvest in physical assets and enhance tenant retention should ultimately yield the highest overall return. In the current highly-competitive regional real estate market, it is crucial to maintain an adequate level of capital expenditure across the portfolio. Shareholder distributions will normally be paid on two occasions per year: an interim distribution after the end of the half year and a final distribution at the end of the year.

With the high discount currently prevailing between the Fund´s share price and the Net Asset Value per share, the Managing Board is of the opinion that shareholders´ interests can also be served by a share buy-back programme as an addition to or in place of direct profit distributions. This option is being considered for implementation as soon as disposable funds are available after completion of the current refinancing programme.

Closing distribution 2020

As the direct and indirect results for 2020 were negative, the Managing Board has recommended to the Supervisory Board that no dividend be paid for the year.

Finally

The Supervisory Board would like to express its appreciation for the efforts made during the year by the Managing Board and staff.

Amsterdam, 30 April 2021

Supervisory Board
H. Kloos, chairman
B. Vos M.Sc.

5 REPORT OF THE MANAGING BOARD

The Managing Board hereby presents the annual report of 2020 of the Fund. The reporting period is from 1 January 2020 to 31 December 2020.

5.1 SUMMARY OF THE YEAR

5.1.1 DEVELOPMENTS IN 2020

The key event during the reporting period was the COVID-19 pandemic, which contributed to the lower 2020 result, by reducing operational income due to (temporarily) lower occupancy (student housing), government regulated COVID-incentives and most importantly by impact on the valuation result.

During this reporting period the DNB Bank Polska loan of € 5.9 million and RECE [10] loan of € 4.2 million and two shareholder loans were extended. During the reporting period the sales from the three property sales were also used to install bank loans, among which the Slovenská Sporiteľňa loan and € 2.3 million on the RECE loan. The total LTV ratio of the Fund decreased from 50.0% to 47.0%.

The weighted occupancy rate of the portfolio at the end of the reporting period of 83.6% (2019: 84.3%), relates to the closure of the universities in Košice, Slovakia and to the consequent slump in demand for student accommodation. The gross rental income of € 8.08 million over the twelve-month reporting period decreased by 8.9% compared to 2019, a decline related to the smaller portfolio size and income effects of the COVID-19 pandemic. Shareholders` equity (see Section 4) decreased during the reporting period by € 5.05 million to € 42.95 million, reflecting the negative retained earnings mainly related to the lower property valuation (see section 7).

The following events took place during the reporting period:

Arcona Property Fund N.V. completed takeover Boyana project in Bulgaria (25 February 2020)

On February 25, 2020 the Fund announced it had reached an agreement with Alpha Bank for the extension of the secured bank loan for the Boyana Residence Project in Bulgaria. This met the requirement that the Fund had set for the definitive takeover of the project.

The Fund also announced it agreed the sale of apartment 2-A (including 16 parking places) within the Boyana Project in Sofia, Bulgaria, for € 999,000. The proceeds are fully used for the partial repayment of the secured bank loan with Alpha Bank (including accrued interest)

Boyana Residences, Sofia, Bulgaria

Arcona Property Fund N.V. appoints new listing agent (28 February 2020)

The Fund shared its intention to appoint a new financial institution (ABN Amro) as listing agent and liquidity provider in the short term. This change was required due to the decision by NIBC Markets to cease its capital markets activities with effect from 1 March 2020.

[10] Real Estate Central Europe AS

Arcona Property Fund N.V. provides update on COVID-19 impact (17 March 2020)

As the COVID-19 crisis continued to develop, the governments of the countries in which the Fund is invested have introduced a raft of measures to delay the spread of the disease and to mitigate its impact on the health of their populations. The Fund informs its stakeholders on the potential exposure of the Fund to these negative developments and the current and planned actions of the Managing Board to mitigate their effects.

Arcona Property Fund N.V. extends AT&T lease and sells Kalisz (20 April 2020)

The Fund agreed with its biggest tenant, AT&T, a 2-year extension of their lease in the Letná 45 property in Košice, Slovakia till April 30, 2025 as well as an expansion of their leased area by 750 m^2, to 6,555 m^2.

The agreement increased the annual rental income from the property by € 57,000. Some smaller tenants will be relocated to facilitate the AT&T expansion.

The Fund sold a vacant retail project in Kalisz, Poland, for a net amount of € 983,000 to a local retailer. The sale was agreed, documented and completed within three weeks, as the purchaser did not require debt financing.

80-82 Graniczna, Kalisz, Poland

Arcona Property Fund N.V. reports 2019 annual figures (29 April 2020)

The Fund reported an operating profit of € 2.28 million in 2019, the same total as achieved in 2018. Net rental income increased from € 4.81 million to € 5.22 million, an increase of 8.3%. The Fund grew in size by € 12.1 million, from € 92 million to € 104 million, through acquisitions in Bulgaria and the Ukraine. More than 60% of the Fund´s debt financing was renewed or repaid during the course of the year. The overall situation regarding COVID-19 was changing and evolving rapidly, however the Management Board and Supervisory Board trust and expect that its diverse tenant base and prudent level of financing will enable Arcona Property Fund N.V. to successfully trade through this challenging market environment.

Arcona Property Fund N.V. first quarter 2020 figures (14 May 2020)

The Fund saw gross rental income in the first quarter of 2020 increase by 5.2%, in comparison to the same period in 2019, to € 2.21 million. Net rental income increased by 7.6% to € 1.18 million. The increase in rental income was the result of a number of new rental agreements.

Profit before tax was € 176,000 in the first quarter, compared to € 321,000 in the same period of 2019. The profit was lower due to a € 319,000 drop in value of the interest rate swaps and a book loss of ca. € 200,000 on the sale of Kalisz.

Arcona Property Fund N.V. extends loans and provides trading update (10 June 2020)

The Fund reached an agreement with financiers to extend two maturing loans. The Fund also reports market conditions improving in Central Europe.

The Fund's secured bank loan from DNB Bank Polska of € 5,900,000 has been extended until November 30, 2020. The interest rate remains at the current level of 3M-Euribor + 4.0%. The Managing Board is in discussion with another credit institution to refinance the loan. The negotiations were temporarily interrupted by the COVID-19 pandemic but are now being resumed.

The Fund´s secured vendor loan from Real Estate Central Europe AS (**RECE**) has been extended until December 2, 2020 at an annual interest rate of 12.0%. The Managing Board plans to repay the loan during Q4 2020 from sales of 5 assets in Slovakia (see also section 11.10 “Assets held for sale”)

Arcona Property Fund N.V.'s annual meeting (30 June 2020)

The digital General Meeting of Shareholders adopted the annual accounts of 2019 and granted discharge to the Managing Board and the Supervisory Board.

The shareholders were informed about the impact of the COVID-19 pandemic and the progress of the acquisition of the assets of SPDI. In all markets where the Arcona Property Fund operates, anti-COVID measures eased substantially. The actual loss of rental income to date now appears to be close to the best-case scenario forecast in March 2020 (a 10.5% decrease on an annual basis).

The shareholders were also informed on the progress of the acquisition of land plots in Kiev, Ukraine and two fully-leased office buildings in Bucharest, Romania from SPDI. An update was provided on negotiations with a number of parties for the sale of five of the Fund´s holdings in Košice, Slovakia. The priority for the proceeds from the sales will be the repayment of loans. At this stage the Managing Board does not consider it opportune to allocate any of these funds for the further expansion of the real estate portfolio.

The Managing Board considers that the refinancing or repayment of all short-term maturing loans and the completion of the SPDI acquisition have priority. Subsequently, possible scenarios can be explored together with the shareholders, such as the sale of the entire fund, the acquisition of new shareholders or the sale of more non-core assets. The Managing Board believes that, given the current market conditions, a stable situation must first be created before this process can begin.

Arcona Property Fund N.V. reports semi-annual 2020 figures (31 August 2020)

On the August 31, 2020, the Fund published its results for the first half of 2020. Despite the COVID-19 pandemic and the effects of three-month government-imposed lockdowns, net rental income declined by less than 10% in the first half of the year and net asset value declined only slightly.

Arcona Property Fund N.V. sells two buildings in Slovakia (21 September 2020)

The Fund reached an agreement on the sale of Krivá 18 and Krivá 23 in Košice, Slovakia. The gross sales proceeds amount to € 5.85 million. The sale price agreed is 7% below the appraisal value as of 31 December 2019 and approx. 45% above the purchase price in 2006. The sale proceeds, after deduction of selling costs and tax, are used to repay loans.

Krivá 18, Kosiče, Slovakia

Krivá 23, Kosiče, Slovakia

Event after balance sheet date.

Arcona Property Fund N.V. to extend its administrative building in Prague location (4 February 2021)

The Fund has obtained a building permit for its extension project on Politických vězňů street. The much-anticipated development in one of Prague's most desirable locations will provide premium office space in the heart of the city.

The project, which will add approximately 250 square meters of new office space on two floors, and more than 100 square meters of terraces, will provide desirable premises in a sought-after part of Prague for new and existing tenants.

Politických vězňů 10, Prague, Czech Republic

Arcona Property Fund N.V. agrees major refinancing in Poland (9 March 2021)

The Fund has agreed terms to refinance the majority of its Polish portfolio. The refinancing covers Arcona Property Funds entire freehold portfolio in Poland, comprising one modern office building and seven supermarkets, with a gross value of € 24.9 million at that time.

Arcona Property Fund N.V. completes Polish loan refinancing (1 April 2021)

The Fund has completed the refinancing of its Polish freehold portfolio, consisting of a modern office building and seven regional supermarkets. The seller's loan used to purchase the three leasehold regional Polish supermarkets has also been refinanced with a new loan.

The new loan to refinance the Maris office building and the regional supermarkets has been provided by HYPO NOE Landesbank für Niederösterreich und Wien AG (HYPO NOE) from Austria. The loan has a volume of € 14 million and a term of five years. The interest rate is 6-month Euribor plus a margin of 2.95%. With the loan from HYPO NOE, the short-term loans from BNP Paribas Bank Polska and DNB Bank Polska amounting to approximately € 13.35 million have been fully refinanced. The average annual repayment and interest obligation falls from EUR 1,269,000 to approximately EUR 940,000.

For the other Polish subsidiary, owner of three regional supermarkets on leasehold land, a new loan of EUR 2.2 million has been signed with an investment fund from Poland. The new loan has a term of three years, the interest is Euribor plus a margin of 8.50%. The new loan is used to pay off the expiring seller's loan. Financing costs decrease by approximately EUR 100,000 on an annual basis.

5.1.2 NET ASSET VALUE PER SHARE AND SHARE PRICE DEVELOPMENT

The following tables show the development of the Fund's Triple Net Asset Value and share price during the period 1 January 2020 to 31 December 2020.

Table 2 – Total Return on share price and Triple Net Asset Value during 2020

	Based on share price		Based on NNNAV	
	In €	In %	In €	In %
Start of period	6.00		13.14	
End of period	3.93		11.84	
Return	**-/- 2.07**	**-/- 34.5**	**-/- 1.30**	**-/- 9.9**
Distribution to shareholders	0.00	-	0.00	0.0
Total Return	**-/- 2.07**	**-/- 34.5**	**-/- 1.30**	**-/- 9.9**

The NNNAV decreased by € 1.30 per share. This decrease was largely caused by the decreased portfolio fair value and the result from sales.

Figure 1 –Development of the Fund's share price per share during 2020

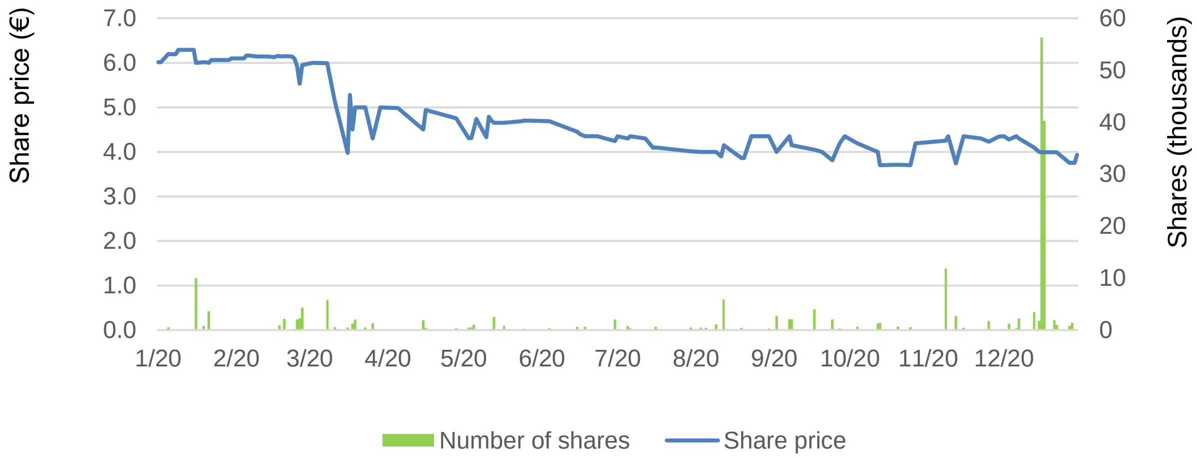

Table 3 – Development of the share price per quarter in 2020

Quarter	Opening price Start of quarter in €	Closing price End of quarter in €	Volume number of shares
1st Quarter 2020	6.01	5.00	38,744
2nd Quarter 2020	4.98	4.35	10,271
3rd Quarter 2020	4.24	4.35	26,522
4th Quarter 2020	3.82	3.93	132,404
Average per quarter			*51,985*

The above table shows an average trading volume of 832 (2019: 1,410) shares per trading day during 2020. The average quarterly traded volume was 51,985 shares (2019: 89,542) and the average turnover was € 0.23 million per quarter (2019: € 0.59 million per quarter). The share price traded at the end of 2020 at € 3.93, which represents a 67% discount to the net asset value of € 11.84 (2019: 54%).

Table 4 – Comparative statement of the NAV per share

	31-12-2020	31-12-2019
Shareholders' equity in accordance with NAV (in € 1,000)	46,284	50,745
Include:		
1. Fair value of financial instruments	-/- 224	-/- 1
2. Fair value of debt	13	32
3. Fair value of deferred tax	-/- 1,521	-/- 1,372
Shareholder's equity in accordance with NNNAV (in €1,000)	**44,520**	**49,404**
Number of ordinary shares in issue	3,758,683	3,758,683
NNNAV per profit-sharing share (in €)	**11.84**	**13.14**
Annual return on NNNAV (in %)	-/- 9.9	-/- 2.6

See also chapter 7.1.10

5.2 INCOME, COST AND RESULT

Earnings per share (**EPS**) for the 2020 financial year decreased to -/- € 1.01 from € 0.03 in the previous year. The EPS decreased due to a € 0.81 million decrease of net rental income, but mainly due to a -/- € 3.25 million of indirect income from revaluation and sales (see chapter 9).

5.2.1 BALANCE

Table 5 – Balance statement

	31-12-2020 in € 1,000	31-12-2019 in € 1,000	Change in € 1,000
Investment property	79,258	80,992	-/- 1,734
Non-current assets	656	929	-/- 273
Current assets	14,508	25,577	-/- 11,069
Total assets	**94,422**	**107,498**	**-/- 13,076**
Shareholders' equity	42,954	48,000	-/- 5,046
Deferred tax liabilities	4,143	4,684	-/- 541
Long-term loans and borrowings	18,301	33,448	-/- 15,147
Total current liabilities	29,024	21,366	7,658
Total shareholders' equity and liabilities	**94,422**	**107,498**	**-/- 13,076**

The -/- € 1.73 million change to "Investment property" despite significant portfolio growth is due to revaluation with the portfolio.

"Non-current assets" decreased by € 0.27 million due to lower deferred tax assets (see 15.6).

"Current assets" decreased due to sold assets held for sale in Slovakia (2 assets) and Poland (1 asset) and the disposition of apartment block 2A of Boyana Residences in Bulgaria.

"Shareholders' equity" decreased by € 5.05 million by the retained earnings which are influenced by the valuation and sales result.

"Long-term loans and borrowings" decreased by € 15.15 million due to loan instalment from sale proceeds and by reclassified bank loans to current liabilities (+ € 8.46 million).

5.2.2 RESULT

The result after tax for 2020 (see table 6 and chapter 9) amounted to -/- € 3.79 million (2019: € 93,000) and can be divided into direct result and indirect result. The total comprehensive income, the result including mutations on Revaluation reserve and Reserve currency translation differences, amounted -/- € 5.05 million (2019: € 0.16 million) (see table 7 and section 10).

A detailed summary with comparative figures of the direct and indirect result is provided in the consolidated annual accounts in chapter 9 and in the following paragraphs.

Table 6 – Overview of result

All in € 1,000	**01-01-2020 until 31-12-2020**	**01-01-2019 until 31-12-2019**	**Change**
Gross rental income	8,083	8,875	-/- 792
Service charge income	2,230	2,184	46
Service charge expenses	-/- 3,282	-/- 3,292	10
Property operating expenses	-/- 2,632	-/- 2,547	-/- 85
Net rental and related income	**4,399**	**5,220**	**-/- 821**
Financial and other operating income	56	635	-/- 579
Total direct income	**4,455**	**5,855**	**-/- 1,400**
Administrative expenses	-/- 665	-/- 680	15
Other operating expenses	-/- 1,422	-/- 1,683	261
Financial expenses	-/- 2,689	-/- 2,071	-/- 618
Total direct costs	**-/- 4,776**	**-/- 4,434**	**-/- 342**
Direct result before tax	**-/- 321**	**1,422**	**-/- 1,743**
Indirect result before tax	**-/- 3,251**	**-/- 905**	**-/- 2,346**
Result before tax	**-/- 3,572**	**517**	**-/- 4,089**
Tax	217	424	-/- 207
Result after tax	**-/- 3,789**	**93**	**-/- 3,882**

The *direct result* before tax is -/- € 321,000. The *indirect result* before tax of -/- € 3.25 million reflects the revaluation of the real estate portfolio and result on the sales of several assets held for sale. For more information about the property valuations see 15.2 (“Investment property”).

Table 7 – Statement of comprehensive income

	2020 in € 1,000	**2019** in € 1,000
Foreign currency translation differences on net investment in group companies	-/- 1,276	59
Income tax on foreign currency translation differences on net investments in group companies	19	9
	-/- 1,257	68
Net gain/ (loss) recognised directly in equity	**-/- 1,257**	**68**
Profit for the period	-/- 3,789	93
Total recognised income and expense for the period	**-/- 5,046**	**161**

Ongoing Charges Figure
In 2020 the OCF decreased as a result of a decrease of the total expenses (including “Other operating expenses”) by about 4%, in conjunction with the increase of the average “Group equity” by about 7%.
The total expenses also include non-regular costs, such as “Costs of funding and acquisition” (see section 15.36.5). Without these non-regular costs, the OCF would be 9.00% (2019: 10.01%).

The “fund expense ratio”, which measures the fund costs such as management fee, audit fees and marketing costs against the shareholders’ equity, increased to 4.89% (31 December 2019: 4.24%). The difference to the OCF is that operating costs, such as maintenance costs, are not included in the “fund expense ratio”.

Table 8 – Ongoing Charges Figure

	2020	**2019**	**2018**	**2017**
	in %	in %	in %	in %
Ongoing Charges Figure	9.95	11.13	10.85	13.02
OCF excluding one-off and refinancing costs	9.00	10.01	10.72	11.71
Fund expense ratio	4.89	4.24	4.31	4.50

Fund operating expenses
The total fund operating expenses of € 2.09 million (2019: € 2.36 million) include € 451,000 of incidental expenses related to funding and acquisition costs during 2020. See also 15.36.

Financial expenses
The financial expenses are € 2.68 million (2019: € 2.07 million), of which € 2.39 million is interest expense on loans, convertible bonds and derivatives. The remainder comprises other financial expenses detailed under 15.38 (“Financial Expenses”).

5.2.3 CASH FLOW

The net cash flow of the Fund after operating, investment and financing activities was -/- € 1,130,000 (2019: € 746,000). The table below provides a summary of the cash flow (see chapter 12).

Table 9 – Consolidated cash flow statement

	2020	**2019**
	in € 1,000	in € 1,000
Cash flow from operating activities	-/- 570	1,234
Cash flow from investing activities	6,898	-/- 585
Cash flow from financing activities	-/- 7,458	97
Net increase / decrease (-/-) in cash and cash equivalents	**-/- 1,130**	**746**

The “Cash flow from operating activities” is impacted by the change in trade and other receivables.

The “Cash flow from investing activities” of € 6.90 million is substantial and relates to the three sold properties in 2020.

The “Cash flow from financing activities” is based on the repayment of loans and borrowings (€ 7.46 million). See chapter 12 for more information (“Consolidated statement of cash flow”).

5.2.4 BANK LOANS

Table 10 – Overview of interest-bearing loans and borrowings

	31-12-2020 in € 1,000	31-12-2019 in € 1,000
Non-current part of loans and borrowings		
Secured bank loans	16,608	28,148
Convertible bonds	-	3,441
Other loans and borrowings	-	-
Subtotal	**16,608**	**31,589**
Lease liabilities	1,234	1,429
Total non-current part of loans and borrowings	**17,842**	**33,018**
Current part of loans and borrowings		
Secured bank loans	16,771	9,900
Convertible bonds	3,472	-
Other loans and borrowings	5,071	7,538
Subtotal	**25,314**	**17,438**
Lease liabilities	176	171
Total current part of loans and borrowings	**25,490**	**17,609**
Grand total loans and borrowings	**43,332**	**50,627**

Table 11 – Overview of secured bank loans

	31-12-2020 in € 1,000	31-12-2019 in € 1,000
DNB Bank Polska	0	0
Slovenská Sporiteľňa	8,612	12,061
Sberbank CZ	7,996	8,264
BNP Paribas Bank Polska	0	7,823
Total long-term interest-bearing loans and borrowings	**16,608**	**28,148**
DNB Bank Polska	5,538	5,998
Slovenská Sporiteľňa	732	927
Sberbank CZ	367	334
BNP Paribas Bank Polska [11]	7,823	384
Alpha Bank	2,311	2,257
Total short-term secured bank loans	**16,771**	**9,900**
Total secured bank loans	**33,379**	**38,048**

Over the past twelve months the total LTV of the portfolio has decreased from 50.0% to 47.0% (see also 15.16.4). The Managing Board intends to maintain the total LTV-ratio of the portfolio in the range 40% – 50%, although a Loan-to-Value percentage of up to 60% is permitted. At the end of the reporting period the weighted remaining maturity of “Loans and borrowings” (see 15.42.14) was 2.35 years (2019: 3.11) and had a weighted average interest rate of 4.35% (see 15.42.4). At the reporting date the convertible bonds have an average maturity of 0.9 years and a weighted average interest rate of 6.50%.

See section 15.16.4 (“Securities, bank covenants and ratios secured bank loans”) for more information on the secured bank loans as at the statement of financial position’s date.

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[11] See 12.40.1 “Analysis of interest-bearing loans and borrowings”

5.2.5 CURRENCY EXCHANGE RATE

Exchange rates used for the Consolidated Statement of Financial Position (see also 13.7.4)

	31-12-2020	**31-12-2019**
Bulgarian Lev (EUR / BGN)	1.9558	1.95580
% change	*0.0%*	*0.0%*
Czech Koruna (EUR / CZK)	26.242	25.40800
% change	*-/- 3.3%*	*1.2%*
Polish Zloty (EUR / PLN)	4.5597	4.25680
% change	*-/- 7.1%*	*1.0%*
Ukrainian Hryvnia (EUR / UAH)	34.7396	26.42200
% change	*-/- 31.5%*	*16.7%*
US Dollar (EUR / USD)	1.2271	1.12340
% change	*-/- 9.2%*	*1.9%*

Source: European Central Bank (ECB) if available. Exchange rates Ukrainian Hryvnia are based on National Bank of Ukraine.

5.3 DEVELOPMENTS IN THE MARKET AND PORTFOLIO

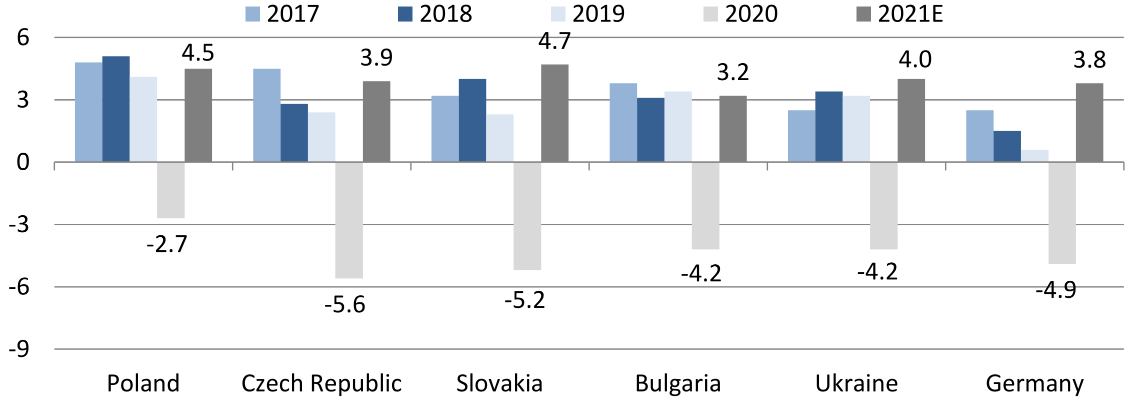
5.3.1 ECONOMIC BACKGROUND AND OUTLOOK

The COVID-19 pandemic duly completed the last economic cycle by causing in almost every European economy the most severe contraction seen since the 1930s. The growth shock and its aftermath are unfolding in a different manner than seen in previous cycles, with implications when looking forward. The period of actual contraction in growth was brief, albeit very profound, being confined largely to the first epidemiologically-driven economic lockdowns of March-May 2020. This trough has created a very low base for comparison and measurement of recovery.

Subsequent “lockdown” phases have had a less deleterious effect on GDP numbers for three reasons: first, the Autumn, Winter and Spring 2021 (at the time of writing) lockdowns in Europe were and are more confined to restricting consumer services activity and social interaction. Governments allowed manufacturing and exports to continue functioning. Working from home was encouraged but offices were not compulsorily shut. Secondly, huge fiscal spending was adopted as a strategy by some countries, supported and funded by ample “money creation” by the ECB and the cutting of interest rates towards zero in CEE countries. This support helped those who lost jobs, or those “furloughed” and unable to work, to live and spend their way through the crisis phase in a more normal fashion than might have been expected at the outset. Thirdly, people and economies adapt to new conditions fast and new service channels and an evident boom in consumer spending on goods has appeared via whatever online or restricted physical distribution channels are available. A fourth factor, the onset of better palliative care for serious COVID-19 cases but especially the introduction of several vaccines and rollout of vaccination programmes may reduce or remove the need for any further “lockdowns”. But Europe is, at the time of writing, lagging the likes of the UK and the USA in the pace of vaccination.

The condition of Europe is of course very important for the CEE countries, as much of the exports that make up a large proportion of their economic activity flow westwards. Keeping these export channels open is a high priority and if this is achieved, then the beginning of a new economic cycle should occur in 2021, with the CEE countries growing at a similar rates (between 3.2%-4.7%) to the likes of Germany (3.8%), assuming that vaccination programmes work.

GDP GROWTH, SELECTED CEE COUNTRIES AND GERMANY, 2017-21E



Source: countryeconomy.com (historical data), Arcona Capital external consultancy (2021 estimate), based on ING, FocusEconomics, Kyivpost

The predicted rebounds in GDP growth in 2021 are (with the exception of Poland) weaker than the 2020 overall contractions and much of the “missing” GDP is high-contact consumer services. Travel, eating out, entertainment and mass leisure do not look like reappearing in general until 2022 at the earliest. Uncertainty over the degree of social interaction to be allowed and measures to bring presently very high COVID-19 infection and death rates in CEE countries under control are all unknown variables. Unemployment rates, whilst still low compared to longer term history, have risen as a consequence of this missing GDP and overall consumer spending patterns and corporate activity can be described as cautious due to job losses and the uncertainty.

Looking ahead, CEE's (and Europe's) high export ratios give it good exposure to the new global economic cycle, which is centred in East Asia and also stimulated by extremely high levels of government spending in the USA. COVID-19 and the policy responses have, though, thrown up challenges: many supply chains remain disrupted and inflation of certain input costs is rampant; commodity prices have soared, to levels higher than seen in 2019; money supply growth, linked to inflation if consumers choose to spend, is at unprecedented levels as a result of the Central Bank stimulus. As a result, long-term bond yields are starting to price in higher inflation in the future, which, if sustained, will eventually impact on interest rates, funding costs and real estate valuations. In addition, for CEE specifically, the emphasis of spending of EU Structural Funds is now not aimed eastwards, more southwards towards the Mediterranean countries. Also, moves towards "green" technologies, particularly EVs in the auto sector, are actually a threat to CEE GDP growth prospects if the economies do not reconfigure production quickly enough.

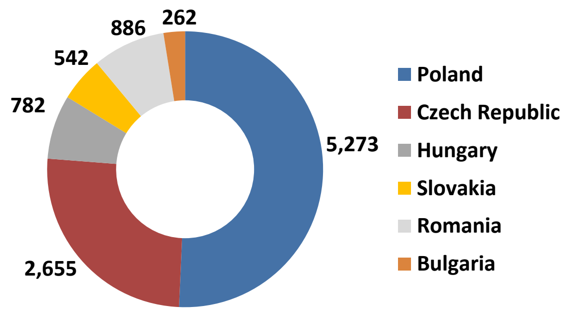
Nevertheless, a resumption of corporate investment, with perhaps more from local sources and nimble, cheap workforces, redeployed into new industries if necessary, should benefit in an eventual cyclical upswing. And real estate, as a "hard", "real" asset class, should participate in that recovery.

5.3.2 REAL ESTATE MARKETPLACE

Investors purchased a better-than-forecast volume of € 10.4bn of commercial real estate in the CEE-6 Central European markets in 2020, down -24% year-on-year from 2019's level, according to Colliers data. Several larger portfolio-type deals concluded before COVID-19 struck and evidence of sector rotation helped those figures beat most expectations. Overall volumes in the broad EMEA region dropped -27% last year.

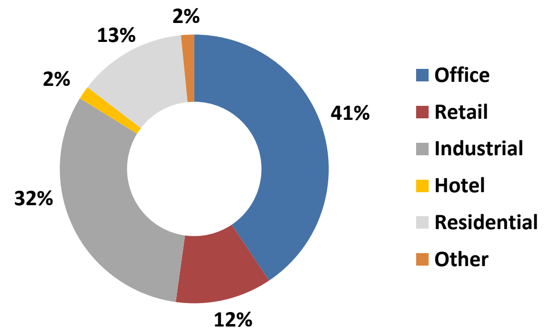
Assessing 2020, purchases of Polish assets were again dominant, with € 5.3bn (a slippage of -31% versus 2019) making up a slightly lower 51% of the total pie. Czech and Hungarian flows dropped -16% and -52% respectively, as the COVID-19 impact combined with a lack of available product in these markets. Slovak (+55% year-on-year in 2020), Romanian (+38%) and Bulgarian (+54%) volumes all bucked the trend, after weaker numbers in 2019.

CEE-6 FLOWS BY COUNTRY (2020, € m)



Source: Colliers

CEE-6 FLOWS BY SECTOR (2020, %)



Source: Colliers

Buyers from Asia maintained interest in the region in 2020, totalling 18% of volume, despite the difficulty of conducting purchases on an inter-continental basis last year. They favoured the Industrial & Logistics sector especially. Domestic investors again made significant purchases in the Czech Republic, Hungary and Bulgaria in 2020 and thus helped to stabilise sentiment in these arenas. Domestic investors were again largely absent from the Polish marketplace.

A more profound rotation in 2020 occurred in the sector composition of flows, with industrial & logistics capturing the attention of buyers and volumes expanding by some € 1.1bn or by 50% compared to 2019. Similarly, the share of the residential sector, principally via the € 1.3bn Heimstaden purchase of the Residomo portfolio in the Czech Republic, grew to a 13% share. The previously-dominant office (-38% year-on-year versus 2019 or € 2.6bn less) and retail (-62% or € 1.9bn less) sectors made up barely half of the overall volumes last year. Investor interest did pick up in the convenience retail sector, especially in Poland, in 2020. Hotel volumes almost evaporated, as might be expected in the COVID-19 phase. A lack of product in Industrial and Residential PRS might hold further expansion of the share of these sectors back in the near run.

5.3.3 REAL ESTATE OUTLOOK

A gradual return to normal economic activity in CEE by H2 2021-2022, provided vaccine programmes succeed, should see the CEE real estate market total investment volume at € 7-9bn in 2021.

CEE government support of retail shopping centre owners, tenants and lenders in the downdraft phase has seen little in the way of distressed selling of any of those assets thus far. But recent, pre-COVID-19 valuations may be too high levels to ignore for stressed Western European or US real estate funds looking to reduce the size of their portfolios. Low unemployment levels across the region, relative to Europe and likely wage rises should help to build a subsequent healthy rebound in consumer demand and thus help stabilise rents. But the degree of uncertainty is high over any reversal of the 5-year old shift to consumers purchasing online in CEE: e-commerce activity obviously accelerated during the pandemic phase. Convenience retail assets and retail parks, with a higher proportion of exposure to food sector, discounter and household goods tenants, are perhaps in a better position in the near run. Tenant mix and type also matters in logistics assets, though 2020 demonstrated that in lockdown phases specifically, demand for all goods is strong via these channels. Supply chain industrial assets, prevalent in the CEE region, face input cost challenges. Purchase demand for and rent levels in commercial offices depend more on the tenant mix of the assets themselves, the type, design and layout of premises and the market supply situation in any particular city. The situation is certainly fluid: first, open space arrangements, especially those designed with high employee density, are presently viewed as less attractive compared to smaller, partitioned compartments. Secondly, international tenants will continue to review business plans and commitments to the region, as will those previously active in the consumer discretionary sector. Thirdly, sub-leasing has appeared as a supply risk and will remain present for some time to come. Greater differentiation of product pricing is thus likely. Low wages versus Western Europe and the ever-increasing quality of the CEE labour force should encourage Business Process Outsourcing (“BPO”) and Shared Service Centre (“SSC”) operators to continue to come to the region.

The slow pace of economic pick-up should continue the shift of rent market outlooks in favour of tenants rather than landlords in office and retail especially. The COVID-19 phase has caused a delay to real estate development projects already, affecting the supply of completed projects across the sector arenas. This overhang will last into 2022, even in an economic boom scenario. Banks are cautious in their approach to developer funding, typically reducing loan-to-cost ratios by up to 10 percentage points in the last year and halting development lending altogether for, for example larger Polish shopping centre or hotel developments.

The Polish office market

As might be expected in the COVID-19 economic contraction phase, vacancy rates increased across Poland’s nine key office markets in 2020, to 11.3%, up from 8.7% at the end of 2019 (Colliers data). Colliers estimate that one should add an estimated 1.5 percentage points to that year end vacancy figure to reflect the action of tenants looking to sub-lease some of their, presently, excess levels of office space. Prime base rents, especially in the very liquid Warsaw marketplace, fell -6% to € 24.5/m^2/month while the low end of the B class rent range fell -11% to € 12.5/m^2/month over the course of 2020. These data might not include further discounts and incentives made to secure tenants in the economic recession phase. Across Poland, the total volume of lease transactions slid -26% during 2020, according to Colliers, compared to the record high seen in 2019. Continued supply growth in 2020 did not help the market to balance: new completions nationally amounted to 707,000 m^2, which was 6.5% of existing stock in the nine key office markets. Around 1.25m m^2 of space remains under construction in Poland, equivalent to 11% of current stock according to Colliers: this overhang is likely to push vacancy rates up, rents down and therefore pressure office yields.

For Szczecin, where our office asset is located, the story is comparatively better. Vacancy rates in the city’s CBD did move up 110bps to 6.9% by the end of 2020, according to Colliers. This is the lowest vacancy rate amongst the office markets of the nine major cities in Poland. As a result, prime rents held steady last year, actually rising 4% to € 14.5/ m^2/month. The rental range in Szczecin has a floor at € 11.0/m^2/month. The city's proximity to Germany and consideration of the market by business service sector providers are reasons for this relatively stable situation. New office supply amounting to only 3,400 m^2, or 0.6% of 2020's existing stock, also helped the story. And there was a drop in area under construction to just 8,000 m^2, or 1.4% of stock, from 2019's 23,100 m^2, which implies only a tiny supply overhang to absorb. Szczecin remains as a location with lower average wages than Warsaw or comparative EU cities and thus the shorter term outlook vacancy and rent outlook looks reasonable.

The Polish retail market

The Polish retail marketplace experienced the same acute business conditions and difficulties as seen in the rest of the world since the onset of the COVID-19 pandemic. Two significant periods of lockdown in the Spring and Autumn impaired trading and especially the entertainment and recreation sectors. At the top end, footfall in traditional shopping centres fell by -25%-30% versus 2019, according to estimates. Real retail sales contracted -3.1% over the course of the year, which punctured a strong 5-year run of growth of over 5% per annum. Two arenas benefited from the slump in shopping centre activity: first, e-commerce, which grew to 9.1% of total retail trade in December 2020, up from 5.5% a year before (according to Colliers). Vendors of discretionary goods, especially, had to switch to omni-channel retailing or face losing all access to customers. Secondly, the popularity of smaller convenience-based retail assets (with a GLA of 2,000-4,999 m^2) and retail parks has revived. According to JLL, COVID-19 has temporarily weakened the position of the biggest (and usually most crowded) shopping centres, at the same time highlighting the attractiveness of smaller projects, where consumers are able to satisfy their basic needs quickly and with limited social exposure. Locked at home, consumers turned to local options. Some have rediscovered their neighbourhoods and begun to appreciate small family-run businesses and local products. As a result, footfall and turnover levels recovered to levels close to or at those pre COVID-19.

Convenience centres play the dominant role in small towns, where they are often the only retail project in their respective markets, accounting for 63% of the retail park stock in towns of below 50,000 residents. As a result of the resilience of this sector, JLL expected in July 2020 171,000 m^2 of retail park and convenience centre completions during 2020, 33% of which was convenience centres (with a GLA of 2,000-4,999 m^2) and 40% of which were in towns with a population of under 50,000. Total national shopping centre stock expanded 260,000 m^2 in 2020, according to Colliers, the lowest total since at least 2013. 54% of the supply (c. 140,000 m^2) was in cities below 100,000 people. Colliers believe that two-thirds of the expected 250-300,000 m^2 of under-construction retail assets in 2021 will be carried out in smaller towns and cities of less than 100,000 inhabitants. The market is not yet saturated, with supply in cities and towns with a population of less than 100,000 at 506 m^2/1,000 people, compared to Poland's larger cities with ratios closer to 850-1,150 m^2/1,000 people.

The convenience sector had a period of bankruptcies and restructurings in 2018 but the above supply expansion suggests that now the story is different. Trei Real Estate, MITISKA REIM and Immofinanz were the most active players in these sectors, according to Colliers International. Popular tenants expanding in the COVID-19 phase are food discounters, budget clothing and homeware. Colliers observed that tenants such as Kik, Action, Pepco, Dealz, Jysk, Lidl, Biedronka and Zabka are all expanding. Colliers expect more of the same type of expansions in 2021. Chains leaving the market include Tesco (in phases since 2019), Salamander, Promod, Camaieu, Sportisimo and Bohoboco. JLL estimate that "value" retailers occupied almost every third unit in traditional retail parks and convenience centres in mid—2020. The observed demand means that rents remained broadly stable at € 8-12/m^2/month for a typical 2,000 m^2 unit in a retail park, with service charges at a low € 1.5-2.0/m^2/month.

2021 poses the still significant challenge for the Polish economy and retail sector of navigating the latest COVID-19 lockdown phases ahead of proper progress on mass vaccination. Online sales will continue to consolidate market position and delivery models will develop further, posing a challenge perhaps even for the convenience sector. Colliers anticipate intensified cooperation between shopping centre owners and their tenants, such as restructuring of enterprises, new operating models, diversification of store formats and increasing lease term flexibility. This appears inevitable, partly as a hangover from "moratoriums" imposed in the first COVID-19 lockdown is slowly cleared over coming years.

The Czech office market

Similar to its larger peer Poland, the Czech office marketplace saw the same vacancy rate shock unfold in 2020. In Prague, vacancy rates moved up by 150 basis points over the course of the year to 7.0%, according to CBRE and Colliers, with an estimated additional 1.9% of floorspace being offered for sublease on top, according to Colliers. Net take-up, the true measure of demand, dropped -36% year-on-year to 167,300 m^2, though CBRE noted some recovery in Q4 2020 when 48,600 m^2 was leased just in that quarter. With new supply at 150,500 m^2 for calendar year 2020, still above the 10-year average and a legacy of the previous boom, the inevitable result was downward pressure on rents. Prime headline rents in the city centre decreased slightly by -2%-4% to € 22.0-22.5/m^2/month by year end, according to CBRE and Colliers. Landlords with vacant space have had to offer incentives and the sub-leased space is being offered in a broad range of € 10-18/m^2/month. Inner city class B rent levels were more stable at between € 15.5-17.0/m^2/month. Rents may reduce further as vacancy rates tick up, with more corporates considering their floorspace requirements as leases gradually come due. The one bright spot is that the supply side is reacting, with only 136,000 m^2 due to come on stream in 2021-22, according to Colliers, with 30% of that space already having a signed tenant. With supply halving, the unknown for the longevity of the downturn becomes the restructuring of the demand side, which is a global risk for office landlords. Prime yields edged up, to 4.25% in the course of 2020.

Office market activity in Brno saw similar trends, with vacancy rates moving up 160bps to 11.9% by year end 2020. Net take-up reached 36,000 m^2 versus new supply of 34,900 m^2, according to CBRE, meaning the market was roughly balanced. As a result prime rents in the city have thus far stood steady at € 15.0-16.0/m^2/month at year end 2020. Seven projects are under construction in Brno, totalling 45,600 m^2 according to CBRE, 55% of which is due for completion by the end of 2021. Thus, supply pressure is easing at the margin. The city remains a popular location for IT tenants, recruiting employees directly from the city's university and stock is now at least the equal to that of several Polish regional cities such as Poznan, Katowice and Lodz.

The Slovak office market

Slovakia was no exception in seeing a -5.2% contraction in GDP in 2020. Demand for office space thus took a hit. The effect is observed first in vacancy levels: taking Bratislava as a benchmark, office vacancy rates moved up to 11.1%, widening 240bps compared to the end 2019 level of 8.7%, according to Colliers. This is a steep end of the cycle for Bratislava, as those same vacancy rates were at just 6.0% in 2018. Rents, typically lagging vacancy rates in the economic cycle, were actually stable in 2020, with average Bratislava CBD rents steady at € 13.50/m^2/month and € 10.50/m^2/month in the city's peripheral locations (an approximation for B class offices). Prime rents in Bratislava's CBD did slip -3% to € 15.50/m^2/month, though again the prime periphery rents stayed firm, at € 13.50/m^2/month. The uptick in vacancy rates already seen likely presages downward pressure on rents in the coming year. Colliers expect a further increase in vacancy rates, pointing to a rental cycle that may take 2-3 years to bottom out.

New stock additions in 2020 of approximately 80,000 m^2, matching the 2019 figure, contributed to the increase in vacancy levels. These additions amounted to just over 4% of the 1.92m m^2 of stock in the city. The delivery pipeline due to be completed during 2021-23 reduced only slightly to 260,800 m^2, 12 large projects at the stage of active construction according to Colliers. This completion level remains at close to the 2018-20 annual run rate, so the pandemic phase has not yet provoked a reduction in potential supply. Such news might lie ahead but if it does not, the rental cycle bottoming will be slow. As a result rental yields might rise further from the present 6.0% prime level in Bratislava.

The Bulgarian residential market

The rate of expansion of Sofia's high-end residential market, concentrated in the districts of the city at the foot of the Vitosha mountain, unsurprisingly slowed in 2020. New mid-plus and high-end residential units supply in Sofia increased 5% last year, according to Colliers, with total stock reaching 11,140 units. New supply had jumped at an 8% rate in 2018 and an impressive 19% in 2019. Four new residential compounds commenced construction in H2 2020, totalling around 560 units. This kept the total number of apartments under construction at around 4,000. Demand remained robust in the face of the pandemic phase, with the vacancy rate tracking down from 5% to 4%. Only limited price reductions, of 3% on average, occurred and overall sales pricing remained stable in spite of the -4.2% 2020 GDP growth shock. Buyers appear to have deployed more equity into the asset class, with 62% of transactions in 2020 being without any debt and more stringent bank collateral and loan-to-value ratios being applied by lenders. Houses and apartments with 2 or 3 bedrooms were the units purchased most often in 2020, with outside space and a work / “flex” use room also desirable.

For buy-to-rent investors, rents in the high-end private segment also maintained their levels. The average rent for a two–bedroom apartment according to Colliers amounted to € 950 – 1,200/month, including VAT. 38% of purchases were for buy-to-let purposes and 62% for own-use.

The outlook for this market segment remains tied to the pandemic effects. As seen in many other countries, the purchase and sale of income-generating residential properties in general is likely to accelerate all the while Central Bank interest rates remain extremely low. Sofia, as a densely-populated city has been and will be subject to periodic lock-down phases until the pandemic is brought under control. Colliers see two market scenarios in 2021, the more favourable where interest in larger homes with more space and houses near to Sofia will stay in place and sales of houses and apartments under construction will continue. In a more unfavourable scenario with greater lockdown-related or general economic disruption, buyers of property under construction will be significantly more circumspect, probably forcing down prices and reducing volumes of property under construction. This might put a floor under the secondary pricing of existing units, unless there is a push by developers to furnish vacant, built units. The risk of this happening looks low, as those vacancy rates are low.

The Ukrainian land market
Ukraine was not alone in seeing a contraction of GDP amounting to -4.2% in 2020, as the COVID-19 pandemic took its toll on domestic demand. Different dynamics were at play in the overall land market, though, with prices actually rising steadily through last year. Two factors explain the price rises, first the general trend of land prices around the world to rise in money terms, as Central Banks eased monetary policy and ample liquidity appeared. The Central Bank of Ukraine cut policy interest rates from 13.5% to a low of 6.0% through 2020. Secondly, house prices are moving up, due to those interest rates cuts and also a long-overdue revival of the Ukrainian mortgage market through a mortgage subsidy programme for first-time buyers. According to the SV Development land price source, land prices in Odessa oblast’ jumped 11.8% in USD terms in 2020, rising a further 2.7% in 2021, year to date. Odessa oblast’s land prices were 6.3% higher at the beginning of 2021 than at the beginning of 2019. In Dnepropretrovsk oblast’, adjacent to Zaporizhzhe Oblast’, the same source saw a 7.9% increase in 2020. For reference, Kyiv oblast’s prices also saw a USD-terms jump of 11.8% in 2020.

This rally in land prices is encouraging in the face of a likely reduction in demand from potential office and retail developers. Commentators such as CBRE and Colliers both reported expansion plans by commercial real estate developers in the Ukrainian office, retail and even the industrial & logistics sectors being put on hold due to the COVID-19 pandemic. Vacancy rates in office are likely to tick up and extend the shadow of the pandemic phase on development demand over several quarters, perhaps years. The uncertainty over development pipeline and potential demand for land is likely to clear fastest in the industrial & logistics sector, whilst residential development may well boom. A risk in the near term is a reversal higher of Central Bank of Ukraine policy interest rates: The CBU hiked from 6.0% to 6.5% in March 2021 due to concerns over incipient inflation.

5.3.4 REAL ESTATE PORTFOLIO DEVELOPMENT

Table 12 – Comparative statement of the real estate portfolio

	31-12-2020	31-12-2019	change	%
Fair value (in € 1,000) [12]	89,443	101,016	-/- 11,573	-/- 11.5
Number of properties	24	27	-/- 3	-/- 11.1
Rentable area (in m²)	92,174	111,906	-/- 19,732	-/- 17.6

The fair value as at end 2020 is € 11.57 million lower than a year before, which is the net result of three property sales (two in Slovakia and one in Poland), capital investments into the portfolio and valuation movements. The like-for-like fair value of the 24-asset portfolio decreased by € 1.9 million (-/- 2.1%) corresponding to valuation changes, mostly in Poland.

Table 13 – Statement of changes in investment properties (see also 15.2.4)

	2020	2019
	in € 1,000	in € 1,000
Balance as of 1 January	**76,432**	**89,032**
Acquisitions	-	6,165
Purchases and additions	719	512
Exchange rate differences	-/- 762	162
Fair value adjustments	-/- 1,034	213
Balance as of 31 December (including assets held for sale)	**75,355**	**96,084**
Reclassification	-	-/- 19,652
Balance as of 31 December	**75,355**	**76,432**

The “Purchases and additions” during 2020 reflects capital expenditure into the properties.

Table 14 – Comparative statement of real estate income 2020 – 2019

	2020	2019	Change	Change
	in € 1,000	in € 1,000	in € 1,000	In %
Gross rental income	8,083	8,875	-/- 792	-/- 8.9
Service cost income	2,230	2,184	46	2.1
Total income	**10,313**	**11,059**	**-/- 746**	**-/- 6.7**
Service costs	-/- 3,282	-/- 3,292	10	-/- 0.3
Operational costs	-/- 2,632	-/- 2,547	-/- 85	3.3
Net rental income	**4,399**	**5,220**	**-/- 821**	**-/- 15.7**

The decrease in net rental income in the amount of € 821,000 is due to a mix of lower rental income related to government regulated COVID-incentives and a lower occupancy level. The net rental income of € 4.40 million is 15.7 % lower compared to the previous year (€ 5.22 million). Three assets in Ukraine (land property) and one asset in Bulgaria (residential project) are not income-generating properties and did not contribute to the operational income.

[12] Including assets held for sale

5.3.5 FUND PORTFOLIO OPERATIONS

The table below shows how the key ratios of the Fund´s operations changed over 2020:

Table 15 – Comparative statement of the real estate portfolio based on indicators

	31-12-2020	31-12-2019	Change	Change in %
Fair value per asset (in € 1,000)	3,727	3,777	-/- 50.2	-/- 1.3
Number of properties (annual average)	26.1	27.0	-/- 0.9	-/- 3.4
NOI per asset [13] (in € 1,000)	209.5	217.5	-/- 8.0	-/- 3.7
Occupancy [14] (in %)	83.6	84.3	-/- 0.7	-/- 0.8
Total loan-to-value (in %)	47.0	50.0	-/- 2.9	-/- 5.8
Discount Share price to NNNAV (in %)	67.0	55.0	12.0	21.8
Ongoing Charges Figure [15] (in %)	9.00	10.01	-/- 1.0	-/- 10.1
Fund expense ratio (in %)	4.89	4.24	0.65	15.3
Solvability (in %) [16]	82.5	81.0	2.5	3.0

5.4 FUND STRATEGY AND OBJECTIVE

The Fund invests in income-generating real estate in Central and Eastern Europe.

The Fund objectives are:

- An annual dividend yield of ca. 8% on the prevailing share price.
- A balanced portfolio of modern high-yielding, multi-tenanted real estate across the region.
- Loan to value between 45% - 50% (including convertible bonds).

The Polish portfolio is currently at 34.5% (2019: 33.5%), the Czech portfolio is 18.9% (2019: 17.2%), the Slovakia portfolio is 35.7% (2019: 37.2%), the Ukrainian portfolio is 3.4% (2019: 3.9%) and the Bulgarian portfolio is 7.4% (2019: 8.1%). The loan to value is currently 47.1% (2019: 50.0%).

5.5 DIVIDEND POLICY

The dividend policy of the Fund is to distribute, based on the annual results, ca. 35% of the operational result to shareholders. The intention is to pay an interim dividend with the half year results, followed by a final dividend after year-end, both in cash. Dividend proposals will, however, need to reflect considerations including expected future capital requirements, growth opportunities available to the Fund, net cash generation and regulatory developments. Consideration is currently being given by Management to the launch of a share buy-back program as an alternative or additional method of generating positive returns for shareholders.

[13] Per income producing asset

[14] Weighted based on fair value, excluding non-income generating properties Aisi Bela and Boyana Residence

[15] Excluding one-off cost elements

[16] Defined as equity / liabilities x 100%

5.6 OUTLOOK

Whilst the Central European region continues to suffer both high incidences of COVID infection and high death rates in international terms, the accelerating roll-out of the vaccination programme and the flexibility and adaptability evidenced by the local and national businesses that comprise the Fund´s tenant base create some cautious optimism for 2021. Management is confident that the operational income of the Fund will continue to be sufficient to meet all debt financing obligations and to maintain levels of capital expenditure necessary to sustain the physical fabric of the asset portfolio. Across the Fund´s core markets (Poland, Czech Republic and Slovakia) the existing secured debt position provides a stable long-term platform for operations, with a loan to value ratio of 42% and an average term to maturity of 3.1 years

The current priority aim for Management remains the refinancing or repayment of certain short-term debt obligations at NV level. These currently amount to ca. € 6.5 million. Bearing in mind the successful refinancing of over €14 million of loans during 2021, Management is confident this aim can be achieved during 2021 through a combination of further asset sales and new debt issuance.

The economic volatility of the last twelve months has not dampened the demand from investors for real estate in most CEE regions and sectors other than those directly impacted by the pandemic, such as hospitality and comparison retail. This demand is expected to be maintained during 2021 and the Fund therefore plans to accelerate its disposal programme for non-core and non-income producing assets, specifically in Ukraine, Bulgaria and Slovakia. The Fund aims to realise between € 8 million and € 15 million gross from its 2021 sale programme, to be used for debt repayment or returned to shareholders.

Acquisitions

The Fund intends to document the acquisition of additional assets of SPDI during H1 2021. This includes development sites in the Ukraine and two fully-leased office properties in Bucharest, Romania. The total value of the assets to be acquired will be ca. € 12 million. The acquisitions will be funded by the issuance of shares at Net Asset Value and by the assumption of existing senior debt arrangements.

5.7 RISK MANAGEMENT

Risk Management is considered an important managing board responsibility. In this annual report there were no material changes to the risk management framework specified in paragraph 15.42 “Risk management”.

Risk appetite and risk management

The Fund´s risk management policy is intended to identify, assess and respond to the main risks that are inherent to the (activities of the) Fund. The risk management framework consists of a top down annual review and risk inventory. Risk exposure is managed by taking mitigating measures, while pursuing our business opportunities to achieve our strategy.

With the exception of the risks presented in paragraph 15.42 “Risk management” and described above in the paragraph *Risks associated with COVID-19*, we have not identified any other risks that could have a materially adverse effect on our business. Unidentified or unforeseen risks, however, could have a material adverse effect on our business.

Internal control framework

The Fund´s Internal Control Framework is to provide reasonable assurance that risks are identified and mitigated in order to achieve important objectives. The Internal Control Framework consists of the following elements:

- monthly KPI reporting
- an established data recovery plan, supported by a cloud-based work environment
- a planning & control structure. Administrative organisation and internal controls are based on a division of functions. Both contracting and payments take place based on the ‘four-eyes’ principle.

Risk monitoring
Risk reports are a recurring topic at the supervisory and managing board meetings. The results of stress testing are part of risk management monitoring and discussed with the Managing and Supervisory Board. Risks are monitored on a continuous basis, with mitigating measures in place.

For a description of the main risks and uncertainties, we refer to the paragraph 15.42 "Risk management" and the notes to the consolidated financial statements.

5.8 REMUNERATION POLICY

The Managing Board of the Fund applies a remuneration policy. The remuneration policy contributes to appropriate and effective risk management and does not encourage employees to take unnecessary risks within the framework of the prospectus and statutes of the Fund. The remuneration policy is in line with the strategy of the Fund, the goals and values of the Managing Board and the interests of the Fund's investors. The remuneration policy incorporates measures that should prevent the occurrence of conflicts of interest.

The goal is to maintain a healthy balance between the fixed and variable remuneration. The fixed remuneration is sufficient for daily expenses and includes payments for education and pension contributions. The variable remuneration must be seen as an addition to the fixed remuneration and evaluates individual employees' achievements for the company as a whole.

The Managing Board does not pay out a guaranteed variable bonus. Any variable bonus is determined based on results that can be measured or clear achievement goals. The full remuneration policy of the Managing Board can be downloaded from www.arconacapital.com.

Remuneration for the Managing Board for the period 2020 – 2016

In 2020 the Fund paid a total fee of € 1,406,000 (2019: € 1,338,000) to the Managing Board, affiliated companies and Secure Management Ltd. Of this total amount, the Managing Board received a fund management fee of € 672,000 (2019: € 680,000) and affiliated companies received an asset management fee of € 651,000 (2019: € 658,000).

	2020 In €	**2019** In €	**2018** In €	**2017** In €	**2016** In €
The Managing Board	665,000	680,000	684,000	675,000	439,000
Arcona Capital Czech Republic	473,000	474,000	466,000	474,000	469,000
Arcona Capital Poland	180,000	179,000	180,000	127,000	0
Secure Management	88,000	5,000	n.a	n.a	n.a
Total remuneration	**1,406,000**	**1,338,000**	**1,330,000**	**1,276,000**	**908,000**

The remuneration for the Managing Board is described in section 15.35 "Specification of administrative expenses".

The Managing Board employed on average 3 employees (2019: 3 employees). The managing directors of the Managing Board are employed by Arcona Capital Nederland N.V. (2) and Arcona Capital GmbH (1).

The total number of employees involved in the activities of the Fund is 6 (2019: 6). The Managing Board of the Fund receives a fixed management fee, described in the prospectus of the Fund. Part of the fixed management fee is paid as asset management fee to Arcona Capital Czech Republic, since 2017 to Arcona Capital Poland and since 2019, to Secure Management.

People in senior management functions with the Managing Board are seen as identified staff. Identified staff are defined as follows:

- Managing directors of the Managing Board; and
- Employees fronting administration, portfolio management, marketing and human resources.

No employees received (according to article 1:120 Wft) a remuneration exceeding € 1 million.

The Managing Board comprises three men. When new managing directors are named, the Managing Board will aim to achieve a balanced Board composition.

During 2020 the Fund did not employ any staff directly (2019: 0). As identified staff, a managing director of Arcona Capital Nederland N.V. and its mother company Arcona Capital GmbH is shown. This director is not a policy maker of the Managing Board.

Remuneration for the Supervisory Board for the period 2020 – 2016

The Supervisory Board received a total remuneration of € 28,000 (2019: € 28,000) in 2020. The remuneration for the Supervisory Board has not changed for the last five years.

	2020 In €	2019 In €	2018 In €	2017 In €	2016 In €
Supervisory Board	**28,000**	**28,000**	**28,000**	**28,000**	**28,000**

The remuneration for the Supervisory Board and the remuneration for the statutory directors are described in section 15.36.3 “Analysis of Supervisory Board fees” and 15.36.4 “Analysis of other operating expenses”.

The Managing Board´s management contract with the Fund is described in the prospectus of the Fund and determines the annual level of management fee. The Supervisory Board is therefore not required to issue a remuneration report under the remuneration policy. The Supervisory Board monitors that the fees paid are in accordance with these contractual arrangements. An adjustment of the remuneration can only be implemented if approved by the General Meeting of Shareholders.

5.9 CORPORATE GOVERNANCE

The Fund is a listed company, which as an investment institution is not required fully to apply the Corporate Governance Code preserved in law. However, the Managing Board and Supervisory Board of the Fund consider the principles of accountability and transparency, which underlie the Corporate Governance Code, to be of direct relevance to the Fund. Accordingly, they will seek to apply the principles and best practice provisions set out in the Corporate Governance Code as fully as possible to the operation of the Fund.

5.10 STATEMENT REGARDING ADMINISTRATIVE ORGANISATION AND INTERNAL CONTROL

The Managing Board has reviewed all elements of the administrative organization during the reporting period. We consider that the administrative organization and internal control as prescribed by Article 121 of the **Bgfo** (Besluit gedragstoezicht financiële ondernemingen), meets the requirements prescribed by the Wft and related regulations. Pursuant to this, we declare as the Managing Board of the Fund that the Company possesses a description as prescribed by Article 121 of the Bgfo, which meets the requirements as prescribed by the Bgfo. In addition, the Managing Board declares with a reasonable degree of certainty that the administrative organization and internal control function effectively and in accordance with this description.

Amsterdam, 30 April 2021

The Managing Board, Arcona Capital Fund Management B.V.
G.St.J. Barker LLB FRICS, Managing director
P.H.J. Mars, M.Sc., Managing director
H.H. Visscher, Managing director

6 THE REAL ESTATE PORTFOLIO

As of 31 December 2020 the Fund's portfolio comprised twenty-four properties. The following section gives an overview of each property in the portfolio during 2020. The properties are located in five Central European countries: four in the Czech Republic, six in Slovakia, eleven in Poland, one in Bulgaria and two in Ukraine.

6.1 THE REAL ESTATE PORTFOLIO IN POLAND

The Fund portfolio as at 31 December 2020 comprises ten modern retail centres in regional cities across Poland and one modern office building, in Szczecin. The properties are all multi tenanted. The main characteristics of each property are briefly summarised below:

8 Laubitza, Inowroclaw (Laubitza)	
Type	Retail
Rentable Surface (in m²)	1,749
Occupation Rate (in %)	85.4
Fair value (in € m)	1.959

The property is located in Inowroclaw, within Stare Miasto district, at 8 Laubitza Street, close to Dworcowa Street. The area is mostly commercial in nature. The retail building, completed in 2001, comprises one floor above ground of 1,749 m^2 of total lettable area and 41 parking spaces situated at the east, south and west sides of the property.

800-lecia Inowroclawia 27, Inowroclaw (Lecia)	
Type	Retail
Rentable Surface (in m²)	2,548
Occupation Rate (in %)	96.3
Fair value (in € m)	2.326

Inowrocław Lecia is located in the central part of Poland near to Bydgoszcz and Toruń. The city has approximately 75,000 inhabitants. The site is located on the south-eastern edge of the city, in a residential area comprising apartment blocks and single-family houses. The immediate area is served by seven bus lines providing convenient access to the property for customers using public transport. The centre provides 2,548 m^2 lettable area and 100 parking places.

1 Krzemowa, Gdansk (Krzemowa)	
Type	Retail
Rentable Surface (in m²)	1,615
Occupation Rate (in %)	100.0
Fair value (in € m)	3.026

The Gdańsk–Sopot-Gdynia (750,000 inhabitants) conurbation (TriCity) is located in the northern part of Poland, on the Baltic coast. The property is situated in the southern part of Gdańsk, within the city's most densely populated district, Chelm (50,000 inhabitants). To the north-east it borders the Srodmiescie district, home of the medieval old town. Surrounded by multifamily residential buildings, the property benefits from high volumes of passing traffic, with Gdansk's city centre reachable by car within less than 10 minutes. The site has two entry points, provides 46 parking spaces and extends to 5,122 m². The main tenant is Biedronka, on a lease expiring in 2027.

1 Plutona, Glogow (Plutona)	
Type	Retail
Rentable Surface (in m²)	1,696
Occupation Rate (in %)	69.5
Fair value (in € m)	1.696

Glogow is a developing medium-sized town in the south-east part of Poland, with a current population of nearly 70,000. The property is located in the city's largest housing estate, Kopernik, with a population of 22,500. High-rise residential buildings dominate the property's direct surroundings. The lettable area is 1,825 m² and there are 62 parking places.

82 Kalinkowa, Grudziadz (Kalinkowa)	
Type	Retail
Rentable Surface (in m²)	2,558
Occupation Rate (in %)	93.5
Fair value (in € m)	2.365

Grudziadz is a city with nearly 100,000 inhabitants, located in the north of Poland. The property is located in the south-western part of Grudziadz in a densely populated residential area. It is bordered by the Strzemiecin housing estate with its 12-storey blocks of flats to the north and the Kopernika housing estate with its medium-density dwellings to the north-east. The site extends to 8,213 m² and is predominantly held freehold. Part of the parking area (1,300 m²) is held under a leasehold agreement signed with the municipality of Grudziadz. The parking area overall has 126 parking places.

137 Wajska Polskiego, Piotrkow Trybunalski (Wajska)	
Type	Retail
Rentable Surface (in m²)	2,650
Occupation Rate (in %)	97.2
Fair value (in € m)	3.388

Piotrków Trybunalski is located in the central part of Poland near to Łódź. The city has approximately 75,000 inhabitants. The city's main competitive advantage is its location in central Poland on the main transport artery providing fast connections to the country's major towns and cities. With recent improvements in the national road and transport infrastructure the city has become one of the most important distribution locations in Poland. The property is located on Wojska Polskiego Street, the main road connecting Piotrkow city centre with the north-western peripheries. Its neighbourhood comprises residential areas to the north and business facilities to the south. Because of its prominent location on the main road and its distinctive signage, the retail centre is highly visible. Extensive new residential developments are under way adjoining the site to north-west which will add to the centre's catchment area. The property has 95 parking places. The main tenant is Biedronka, expiring in 2028.

6 Wolnosci, Slupsk (Wolnosci)	
Type	Retail
Rentable Surface (in m²)	1,872
Occupation Rate (in %)	100.0
Fair value (in € m)	1.348

Slupsk is an historic town in north-western Poland, located just 18 km away from Ustka, a popular seaside resort on the Baltic coast. The current population is 95,000 inhabitants. The property is located in the northern part of the city and its immediate surroundings comprise high density mid-rise residential developments. The Old Town is within 10-minutes' walk. Two bus stops are located directly in front of the property with several others within walking distance. The property has 48 parking places. The main tenant is Jinfeng on a lease expiring in 2022.

216 Legionow St., Torun (Torun)	
Type	Retail
Rentable Surface (in m²)	2,229
Occupation Rate (in %)	96.1
Fair value (in € m)	2.711

This single-storey retail building, completed in 2001, comprises 2,229 m^2 of total lettable area and 64 parking spaces. The property is located in Torun, Chelminskie Przedmiescie district, at 216 Legionow St., close to Wielki Row St. The area is predominantly residential in nature. There is direct access to the building from Legionow and Kozacka Sts. Car parking is located from the north (Wielki Row St.), west (Legionow St.) and south sides of the property and consists of 64 over ground car spaces. Public transport is secured with 2 bus lines that have stops at Wielki Row St. and 4 bus lines that have stops at Legionow St. The site of the property is held leasehold.

20 Grzymaly Siedleckiego St., Bydgoszcz (Bydgoszcz)	
Type	Retail
Rentable Surface (in m²)	1,793
Occupation Rate (in %)	100.0
Fair value (in € m)	1.645

This single-storey retail building, completed in 2001, comprises 2,229 m^2 of total lettable area and 64 parking spaces. The property is located in Torun, Chelminskie Przedmiescie district, at 216 Legionow St., close to Wielki Row St. The area is predominantly residential in nature. Public transport is secured with 2 bus lines that have stops at Wielki Row St. and 4 bus lines that have stops at Legionow St. The site of the property is held leasehold.

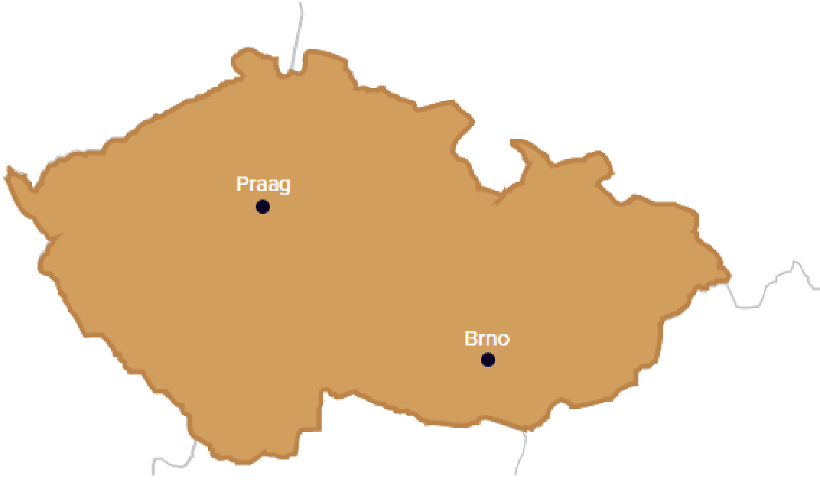
107 Kardynala Wyszynskiego St., Lodz (Lodz)	
Type	Retail
Rentable Surface (in m²)	1,580
Occupation Rate (in %)	77.3
Fair value (in € m)	1.708

This single-storey retail building, completed in 2001, provides 1,580 m^2 of total lettable area and 60 parking spaces situated in the north and east sides of the property. The property is located in Lodz, Polesie District, at 107 Kardynala Wyszynskiego St., close to Popieluszki St. The area is predominantly residential in nature. Public transport is secured with 7 bus lines that have stops to the west of the property. The main tenant is Tesco, on a lease expiring in 2021. The site of the property is held leasehold.

9 Holdu Pruskiego Square, Szczecin (Maris)	
Type	Office
Rentable Surface (in m²)	5,974
Occupation Rate (in %)	89.5
Fair value (in € m)	8.830

This office building, completed in 2005, comprises six floors above ground and three underground levels (with 119 parking spaces) and is located in the city centre opposite Szczecin´s iconic new concert hall. The total rentable area is 5,974 m^2. The property is currently multi-leased, with 11 tenants. The main tenant is Intive with a lease expiring in 2023.

6.2 THE REAL ESTATE PORTFOLIO IN THE CZECH REPUBLIC



The portfolio comprises four commercial properties located across the Czech Republic. Three are located in Prague and one in Brno, the Czech Republic's second largest city. The properties vary in construction, specification and tenant mix however all are multi tenanted and are primarily used as office accommodation with some providing ground floor retail units. The main characteristics of each property are summarised below.

Sujanovo namesti.3, Brno (VUP)	
Type	Office & Storage
Rentable Surface (in m²)	4,655
Occupation Rate (main building) (in %)	83.7
Fair value (in € m)	2.515

This administrative complex, constructed in the 1970´s, is located 1,200 meters southeast of the Brno city centre, in an improving commercial and residential area. The accessibility by car and public transport is excellent. The total gross area is 6,077 m². Although currently securely leased, this property offers scope for refurbishment and upgrade, with several options now being appraised by the Managing Board. The economic prospects for Brno are very positive and it is important for the Fund to retain a competitive asset in the city.

Na Zertvach 34, Prague 8 (Palmovka)	
Type	Office
Rentable Surface (in m²)	2,180
Occupation Rate (in %)	84.0
Fair value (in € m)	2.954

The modern office building is located in Prague near the Palmovka metro station in a fast developing area on the border of the Prague districts of Karlin, Libeň and Vysočany. The total rentable area is 2,169 m². The accessibility by road is good and by public transport excellent. The building dates from 1998-1999 and has 28 underground parking spaces.

Prvniho pluku 621, Prague 8 (Karlin)	
Type	Office
Rentable Surface (in m²)	4,055
Occupation Rate (in %)	95.6
Fair value (in € m)	5.921

This office complex comprises two adjoining 4- storey buildings. It is located in Karlin, Prague 8, close to the city centre. One of the buildings was recently refurbished to modern standards and the other building was constructed in 2002. The total rentable space (predominantly office space) is 4,055 m². There is sufficient parking capacity, with 35 parking spaces in the courtyard.

Politickych veznu 10, Prague 1	
Type	Office
Rentable Surface (in m²)	2,367
Occupation Rate (in %)	80.0
Fair value (in € m)	5.620

This representative office building is located in Prague's city centre, near Wenceslas Square. The main building has eight floors and the total rentable space is 2,367 m². The whole complex has partly been reconstructed with additional parking spaces. The property is close to the Wilsonova arterial road through Prague city centre and within 5 minutes' walk of the central railway station.

6.3 THE REAL ESTATE PORTFOLIO IN SLOVAKIA

The Fund portfolio as at end 2020 has six commercial properties in Slovakia.. These largely comprise multi storey B-/C class office blocks of concrete frame structure and flat roof construction, situated in urban locations. The properties are all multi tenanted and are primarily used as office accommodation. Some properties provide retail, student accommodation or storage space. The main characteristics of each property are briefly summarised below:

Záhradnicka 46, Bratislava (Záhradnicka)	
Type	Office
Rentable Surface (in m²)	3,755
Occupation Rate (in %)	68.7
Fair value (in € m)	4.319

The underground floors and first four upper storeys of this modernised property are used for office or retail purposes. The building is located on a side road close to the business centre of Bratislava. It has six stories and two underground floors in total, providing 3,755 m² of rentable area. The building has 28 parking spaces.

Pražská 4, Kosiče (Pražská 4) – ASSET HELD FOR SALE	
Type	Office
Rentable Surface (in m²)	6,088
Occupation Rate (in %)	66.1
Fair value (in € m)	2.505

The two 10 -story Pražská buildings are located in the Terasa residential area, approximately 1,5 km west from the historical centre of Košice. The premises can be used for office, business and short-stay accommodation purposes. The total space of Pražská 4 is 7,670 m² of which 6,088 m² is rentable. There are 71 parking spaces available. Following the successful refurbishment and façade upgrade of the Kriva assets, these two Pražská buildings are also now being prepared for refurbishment and upgrade.

Pražská 2, Kosiče (Pražská 2) – ASSET HELD FOR SALE	
Type	Office
Rentable Surface (in m²)	6,058
Occupation Rate (in %)	84.0
Fair value (in € m)	2.593

As with Pražská 4, the 10-storey Pražská 2 property can be used for office, business and short-stay accommodation purposes. The total space of Pražská 2 is 7,723 m² of which 6,024 m² is rentable.

Letná 45, Kosiče (Letná)	
Type	Office
Rentable Surface (in m²)	11,169
Occupation Rate (in %)	94.6
Fair value (in € m)	13.100

This office building (the biggest in the portfolio) is prominently situated on Festival Square, approx. 1 km north west from the historical centre of Košice. There is an ongoing refurbishment programme to increase accessibility, aesthetics and tenant facilities. The building is easily accessible by car or public transport as it is near the outer city ring road. There are 70 parking places and 14 garages available. The main tenant, AT&T, continues to expand within the property and has recently agreed an extension of its lease to 2025.

Kysucká 16, Kosiče (Kosmalt) – ASSET HELD FOR SALE	
Type	Office/hostel
Rentable Surface (in m²)	10,711
Occupation Rate (in %)	60.0
Fair value (in € m)	4.763

Two storeys with a total of 1,787 m² are used for administrative purposes and retail. The remaining eleven storeys are used as long-stay (hostel) apartments. The building is suited for tenants who specifically need affordable living space such as students and employees of large corporations. The building is easy to reach and is located just 1 km west from the historic centre. This property has a volatile occupancy rate, reflecting its specific use, and requires dedicated management services. It also has very high operating costs relative to its income.

A. Rudnayova 21, Žilina (Vural)	
Type	Office
Rentable Surface (in m²)	10,458
Occupation Rate (in %)	65.9
Fair value (in € m)	4.730

This is a relatively large office building on a 6,200 m² plot. It is located in an accessible location in Žilina, a major city in northern Slovakia some 200km north-east of Bratislava. The building is well recognized in the local office market (telecom company T-Com, software company Kros). There is sufficient parking, currently over 100 spaces with possibilities to expand. The building is expected to benefit from recent regional economic developments.

6.4 THE REAL ESTATE PORTFOLIO IN BULGARIA

The Fund´s portfolio includes a residential project located in Sofia, Bulgaria. The project comprises 5 apartment blocks and adjoining development land. The main characteristics of the property are summarised below:

Boyana Residences, Sofia (Boyana)	
Type	Apartments and land plot
Surface area (in m²)	22,440
Occupation Rate (in %)	n/a
Fair value (in € m)	6.665

The project is located in the low-density Boyana residential district 9 km south-west of Sofia city centre.

Phase I of the project has been completed and obtained an occupancy permit in 2016. This phase delivered 67 apartment units, during 2020 apartment block 2A with 28 apartments has been sold. Phases II and III are not yet under construction. They will add another 18,790 m² of residential space (174 apartment units and 211 parking places). The development plans include a variety of units, ranging from 60 to 150 m², with the ground floor units also offering gardens.

The Fund´s business plan for the project is to refurbish and sell the remaining completed apartments, to update and re-permit the development segments and ultimately to sell these on to local developers.

6.5 THE REAL ESTATE PORTFOLIO IN UKRAINE

The Fund´s portfolio includes two land plots located in Ukraine, in the cities of Odessa and Zaporizhzhia. The main characteristics of the properties are briefly summarised below:

Nerubaiske Village, Odessa (Biliayivskyi District)	
Type	Land plot
Surface area (in m²)	223,934
Occupation Rate (in %)	n/a
Fair value (in € m)	2.412

The land plot fronts the Odessa-Kiev M-05 Highway, a six-lane strategic road with high levels of freight traffic connecting Ukraine´s capital city with its largest seaport.

The land plot is approximately 7.5 km from the Odessa Ring Road and 1.8 km from the nearest motorway exit. The immediate neighbourhood is developing as a logistics and industrial hub for Odessa, with two major schemes, the established temperature-controlled complex ‘Inrise Logistics Park’ and the newly built ‘Odessa Logistics Park’ already in operation. The plot has been prepared for warehouse construction with extensive foundation works already completed.

The Fund´s business plan for the project is to update the development documentation and planning and then to sell to a local or international warehouse developer.

Balabynska Village, Zaporizhzhia (Zaporizkyi District)	
Type	Land plot
Surface area (in m²)	263,834
Occupation Rate (in %)	n/a
Fair value (in € m)	0.676

This very large land plot is located about 2 km to the south of the city of Zaporizhzhia and borders the M105 highway from Kharkov to Mariupol. The site is zoned for commercial use and offers potential for retail park or shopping centre development.

CONSOLIDATED FINANCIAL STATEMENTS 2020

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7 PERFORMANCE INDICATORS

The following performance indicators have been prepared in accordance with industry standards.

7.1.1 Earnings

Earnings reported in the Consolidated Income Statement as required under IFRS do not provide shareholders with the most relevant information on the operating performance of real estate investment funds.

Earnings measures the Fund’s operational performance and the extent to which its dividend payments to shareholders are underpinned by earnings is the level of income arising from operational activities. The Fund’s operational performance represents the net income generated from the operational activities. Unrealised changes in valuation of properties, gains or losses on disposals of properties and certain other items do not necessarily provide an accurate picture of the Fund’s underlying operational performance.

As Earnings is used to measure the operational performance, it excludes all components not relevant to the underlying net income performance of the portfolio, such as “Valuation results of owned investment properties”, “Valuation results of investment property under development”, “Results on disposals of owned investment properties” and “Results on disposals of investment property under development”. In effect, what is left as Earnings is the income return generated by the investment, rather than the change in value or capital return on investments.

Earnings per share (**EPS**) should be calculated on the basis of the basic number of shares. The main reason for this is that Earnings and the dividends to which they give rise accrue to current shareholders and therefore it is more appropriate to use the basic number of shares.

The Diluted Earnings per share (**Diluted EPS**) should be calculated on a diluted basis taking into account the impact of any options, convertibles, etcetera that are “dilutive”. For the explanation of the effect of exercise of options, convertibles and other equity interests (fully diluted basis) see the explanation in (3), mentioned in section 7.1.8 “Explanation of adjustments calculation of Net Asset Value”.

7.1.2 Calculation of (diluted) earnings

	Notes	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Earnings per IFRS Consolidated Income Statement	*9*	-/- 3,789	93
Exclude:			
1. Valuation results of properties and other investments			
a. Owned investment property	*15.27.1*	1,034	-/- 162
b. Investment property under development	*15.29*	-/- 162	42
c. Other investments	*15.38*	1	1
2. Result on disposals of properties and other investments			
a. Realised currency results on net investments in group companies	*15.33*	-/- 45	-/- 47
3. Tax on results on disposals of properties and other investments	.	-	-
4. Changes in fair value of financial instruments			
a. Derivatives	*15.38*	189	-/- 22
b. Convertible bonds	*15.16.6*	31	43
5. Acquisition costs on share deals		-	-
6. Taxes in respect of adjustments		367	5
Earnings		**-/- 2,374**	**-/- 47**
Total number of shares in issue entitled to profit	*15.14.1*	3,758,683	3,758,683
Earnings per share (in €)		**-/- 0.63**	**-/- 0.01**
Total number of outstanding profit-sharing shares (fully diluted)		3,758,683	3,758,683
Diluted earnings per share (in €)		**-/- 0.63**	**-/- 0.01**

7.1.3 Explanation of adjustments calculation of (diluted) earnings

1. Valuation results of properties and other investments

This adjustment includes the gain or loss in the Consolidated Income Statement arising in the period from the revaluation of “Owned investment property”, “Investment property under development” and “Other investments” at their fair value. Therefore the “Valuation results of properties held for sale” and “Right-of-use assets” are not excluded from earnings.

2. Results on disposals of properties and other investments

This adjustment includes the profit or loss on disposal of “Owned investment property”, “Investment property under development” and “Other investments”. Therefore the results on disposals of “Owned investment property held for sale”, “Right-of-use assets”, “Right-of-use assets held for sale” and “Investment property under development held for sale” are not excluded from earnings.
This adjustment includes also the profit or loss on foreign currency translation differences in case of (partial) reduction of net investment in foreign activities (release from “Reserve for currency translation differences”).

3. Tax on results on disposals of properties and other investments

This adjustment includes the tax charge or credit relating to profits or losses on “Owned investment property”, “Investment property under development” and “Other investments” sold in the period, calculated consistently with 1 and 2 above.

4. Changes in fair value of financial instruments

This adjustment includes the surplus or deficit arising in the period from the net mark-to-market adjustment to the value of financial instruments (market value less acquisition price paid or received) which are used for hedging purposes and where the Fund has the intention of keeping the hedge position until the end of the contractual duration. Whether the Fund has chosen to apply hedge accounting under IFRS is irrelevant. Material profits / costs associated with the early close-out of financial instruments used for hedging and / or debt instruments should also be excluded from earnings.

The only exception to this is the early close-out of financial instruments or debt with a maturity date ending within the current reporting period. In such circumstances, the cost of early close-out should not be adjusted as the fair value difference would have been recognised in the current year's earnings through the interest line and therefore including the cost of early close-out should not significantly change earnings for that year.

5. Acquisition costs on share deals

This adjustment includes the acquisition costs related to share deals (IFRS 3) and joint venture interests which are, under IFRS, recognised in the Consolidated Income Statement when incurred. Property-related acquisition costs are first capitalised and subsequently recognised in the Consolidated Income Statement as a revaluation movement. To achieve consistency, acquisition costs related to share deals and joint venture interests should be excluded to arrive at earnings.

6. Taxes in respect of adjustments

This adjustment includes the deferred taxes in the period which only relates to the above items and which would not crystallise until or unless the property, investment or financial instrument is sold. This would typically include deferred tax on revaluation surpluses on "Owned investment property" and "Investment property under development" which could reverse on disposal of the asset. This adjustment includes also any current income tax relating directly to the above adjustments to the extent that they are considered material.

7.1.4 Calculation of (diluted) adjusted earnings

	Notes	2020 In € 1,000	2019 In € 1,000
Earnings	*7.1.2*	-/- 2,374	-/- 47
Exclude:			
1. Valuation results of “Owned investment properties held for sale”	*15.27.1*	976	940
2. Valuation results of “Right-of-use assets”	*15.27.1*	90	85
3. Results on disposals “Owned investment properties held for sale”	*15.28*	1,313	-
4. Impairment allowance of “Inventories”		17	-
5. Results on disposals of “Inventories”	*15.31*	23	-
6. Release secured vendor loan Real Estate Central Europe AS	*15.33*	-	-/- 500
7. Early termination of rental contracts	*15.34*	-/- 14	-/- 52
8. Costs of funding and acquisition	*15.36.1*	451	491
9. Interest expense on lease liabilities	*15.38*	92	100
10. Other exchange and currency translation results	*15.38*	53	23
Include:			
11. Operating leases	*15.16.7*	-/- 178	-/- 185
Subtotal adjustments (before taxes)		2,823	902
12. Taxes in respect of above adjustments		-/- 436	-/- 163
Total adjustments		2,387	739
Adjusted earnings		**13**	**692**
Total number of shares in issue entitled to profit	*15.14.1*	3,758,683	3,758,683
Adjusted earnings per share (in €)		**0.00**	**0.18**
Total number of outstanding profit-sharing shares (fully diluted)		3,758,683	3,758,683
Diluted adjusted earnings per share (in €)		**0.00**	**0.18**

7.1.5 Explanation of adjustments calculation of (diluted) adjusted earnings

The earnings is a measure of the underlying operating performance of an investment property company. It therefore does provide a measure of recurring income, but does not, for example, exclude “exceptional” items that are part of IFRS earnings. For that reason the Fund has introduced its own (diluted) adjusted earnings. In this calculation the Fund excludes “exceptional” and “one-off costs” and “one-off revenues”. Moreover in this calculation valuation results, as well as results on disposals of properties held for sale and “Right-of-use assets” are excluded, as well as accrued interest lease liabilities.

The operating leases are included in the calculation of the (diluted) adjusted Earnings. As a result of above described adjustments the impact of applying IFRS 16 (e.g. fair value adjustments “Right-of-use assets”) are eliminated in the (diluted) adjusted earnings.

7.1.6 Net Asset Value

Net Asset Value (NAV) is a key performance measure used for real estate investment funds. However, NAV reported in the Consolidated Financial Statements under IFRS (see also section 15.14.1) does not provide shareholders with the most relevant information on the fair value of the assets and liabilities within an ongoing real estate investment company with a long-term investment strategy.

The Net Asset Value (NAV) measures the fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value of financial derivatives and deferred taxes on investment property, investment property under development or other non-current investments are therefore excluded.

NAV should be calculated on a diluted basis taking into account the impact of any options, convertibles, etcetera that are "dilutive".

7.1.7 Calculation of Net Asset Value

	Notes	**31-12-2020** In € 1,000	**31-12-2019** In € 1,000
Group equity in accordance with IFRS	*8*	42,954	48,000
Exclude:			
1. Fair value of financial instruments		224	1
2. Deferred tax	*15.6.1*	3,106	2,744
Group equity in accordance with NAV		**46,284**	**50,745**
Total number of shares in issue entitled to profit	*15.14.1*	3,758,683	3,758,683
3. Effect of exercise of options, convertibles and other equity interests (fully diluted basis)		-	-
Total number of outstanding profit-sharing shares (fully diluted)		**3,758,683**	**3,758,683**
NAV per profit-sharing share (in €)		**12.31**	**13.50**

7.1.8 Explanation of adjustments calculation of Net Asset Value

1. Fair value of financial instruments

This adjustment includes the net mark-to-market adjustment to the value of financial instruments (market value less acquisition price paid or received) which are used for hedging purposes and where the Fund has the intention of keeping the hedge position until the end of the contractual duration. Whether the Fund has chosen to apply hedge accounting under IFRS is irrelevant. The mark-to-market of any convertible debt is also excluded from the net assets.

The logic for this adjustment is that, under normal circumstances, the financial derivatives which property investment companies use to provide an economic hedge are held until maturity and so the theoretical gain or loss at Statement of Financial Position's date will not crystallise.

The above adjustments do not include (possible) foreign currency hedging instruments (fair value hedges or net investment hedges) where the hedged item market value changes are also reflected in the Consolidated Statement of Financial Position. The fair value of such instruments should remain in NAV to offset the movement in the underlying investment being hedged.

2. Deferred tax

This adjustment includes the recognised deferred taxes in the Consolidated Statement of Financial Position in respect of the difference between the fair value and tax value of "Owned investment property", "Investment property under development", or other non-current investments (including "Investments in group companies") as these deferred taxes would only become payable if the assets are sold. Therefore deferred taxes on properties held for sale and right-of-use assets held for sale are not excluded from NAV.

The deferred tax liability relating to the fair value of financial instruments, which would not crystallise until or unless the financial instrument is sold, should also be added back.

3. Effect of exercise of options, convertibles and other equity interests (fully diluted basis)

A convertible bond is viewed as dilutive provided that the following criteria are satisfied:

1. the convertible bond is dilutive in accordance with IAS 33.50; and
2. the share price as at Statement of Financial Position's date exceeds the conversion price ("in the money").

7.1.9 Triple Net Asset Value

The Triple Net Asset Value (NNNAV) measures the Net Asset Value including fair value adjustments in respect of all material Statement of Financial Position's items which are not reported at their fair values as part of the NAV.

7.1.10 Calculation of Triple Net Asset Value

	Notes	**31-12-2020** In € 1,000	**31-12-2019** In € 1,000
Group equity in accordance with NAV	*7.1.7*	46,284	50,745
Include:			
1. Fair value of financial instruments		-/- 224	-/- 1
2. Fair value of debt		13	32
3. Fair value of deferred tax		-/- 1,553	-/- 1,372
Group equity in accordance with NNNAV		**44,520**	**49,404**
Total number of shares in issue entitled to profit	*15.14.1*	3,758,683	3,758,683
4. Effect of exercise of options, convertibles and other equity interests (fully diluted basis)		-	-
Total number of outstanding profit-sharing shares (fully diluted)		**3,758,683**	**3,758,683**
NNNAV per profit-sharing share (in €)		**11.84**	**13.14**

7.1.11 Explanation of adjustments calculation of Triple Net Asset Value

1. Fair value of financial instruments

This reinstates, and is equal to, the adjustment 1, as mentioned in the calculation of NAV. The reason for reinstating is that NNNAV is an approximation of fair value NAV.

2. Fair value of debt

This adjustment includes the difference between "Loans and borrowings" included in the Consolidated Statement of Financial Position at amortised cost, and the fair value of "Loans and borrowings".

3. Fair value of deferred tax

This adjustment includes the fair value of the deferred taxes concerning "Owned investment property", "Investment property under development" or other non-current investments (including "Investments in group companies"; these three items hereinafter mentioned as "non-current investments"). The deferred taxes are calculated with regard to all taxable temporary differences with regard to the "non-current investments", whether these deferred taxes are included in the Statement of Financial Position or not. For items not included in the Statement of Financial Position reference is made to section 13.30.3 in the Accounting Principles Consolidated Financial Statements.

The taxable temporary difference with regard to the "non-current investments" is calculated by the difference between the fair value of the "non-current investment" less the tax value of the "non-current investment". In case the taxable temporary difference should result in a deferred tax asset, this deferred tax asset will only be recognised as far as it is probable that future taxable profits will be available against which they can be used. Deferred taxes are measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, using tax rates enacted or substantively enacted at the Statement of Financial Position's date. The deferred taxes are taken into account without applying any discount (nominal value), which is in accordance with IFRS.

The Managing Board assessed the fair value for calculation-purposes of the deferred taxes applicable to non-current investments by multiplying the deferred taxes (at nominal value, as mentioned above) by 50%. This percentage is an estimation of the present value of the tax applicable in the (near) future.

4. Effect of exercise of options, convertibles and other equity interests (fully diluted basis)

For the effect of exercise of options, convertibles and other equity interests (fully diluted basis) see the explanation in section 7.1.8 (3) "Explanation of adjustments calculation of Net Asset Value" above.

7.1.12 Calculation of Triple Net Asset Value before distributions to shareholders

	Notes	**31-12-2020** In € 1,000	**31-12-2019** In € 1,000
Group equity in accordance with NNNAV	*7.1.10*	44,520	49,404
Exclude:			
1. Cumulative distributions to shareholders		3,120	3,120
Group equity in accordance with NNNAV before distributions to shareholders		**47,640**	**52,524**
Total number of shares in issue entitled to profit	*15.14.1*	3,758,683	3,758,683
2. Effect of exercise of options, convertibles and other equity interests (fully diluted basis)		-	-
Total number of outstanding profit-sharing shares (fully diluted)		**3,758,683**	**3,758,683**
NNNAV per profit-sharing share before distributions to shareholders (in €)		**12.67**	**13.97**

8 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Assets			
Investment property	*15.2*	76,849	78,016
Investment property under development	*15.3*	2,409	2,976
Deferred tax assets	*15.6*	177	367
Tax assets	*15.8*	-	23
Trade and other receivables	*15.9*	-	2
Prepayments and lease incentives	*15.10*	229	237
Cash and cash equivalents	*15.11*	250	300
Total non-current assets		**79,914**	**81,921**
Inventories	*15.12*	1,818	2,823
Other investments	*15.4*	-	4
Derivative financial instruments	*15.5*	-	13
Tax assets	*15.8*	189	121
Trade and other receivables	*15.9*	822	633
Prepayments and lease incentives	*15.10*	546	752
Cash and cash equivalents	*15.11*	1,272	2,446
Assets held for sale	*15.13*	9,861	18,785
Total current assets		**14,508**	**25,577**
Total assets		**94,422**	**107,498**
Group equity (attributable to Parent Company shareholders)	*15.14*	**42,954**	**48,000**
Liabilities			
Loans and borrowings	*15.16*	17,842	33,018
Derivative financial instruments	*15.17*	118	33
Deferred income and tenant deposits	*15.19*	314	397
Deferred tax liabilities	*15.20*	4,143	4,684
Total non-current liabilities		**22,417**	**38,132**
Tax liabilities	*15.15*	620	326
Loans and borrowings	*15.16*	25,489	17,609
Derivative financial instruments	*15.17*	134	40
Trade and other payables	*15.18*	2,658	3,044
Deferred income and tenant deposits	*15.19*	150	347
Total current liabilities		**29,051**	**21,366**
Total liabilities		**51,468**	**59,498**
Total group equity and liabilities		**94,422**	**107,498**

9 CONSOLIDATED INCOME STATEMENT

	Notes	2020 In € 1,000	2019 In € 1,000
Gross rental income	15.25	8,083	8,875
Service charge income		2,230	2,184
Service charge expenses	15.26	-/- 3,282	-/- 3,292
Property operating expenses	15.26	-/- 2,632	-/- 2,547
Net rental and related income		**4,399**	**5,220**
Valuation results of properties	15.27	-/- 2,100	-/- 863
Results on disposal of properties	15.28	-/- 1,313	-
Valuation results of investment property under development	15.29	162	-/- 42
Net results on properties	15.30	**-/- 3,251**	**-/- 905**
Impairment allowance of inventories		-/- 17	-
Results on disposals of inventories	15.31	-/- 23	-
Net results on inventories	15.32	**-/- 40**	**-**
Financial income	15.33	49	575
Other operating income	15.34	30	60
Other income		**79**	**635**
Total income		**1,187**	**4,950**
Administrative expenses	15.35	665	680
Other operating expenses	15.36	1,422	1,682
		2,087	**2,362**
Net operating result before financial expenses		**-/- 900**	**2,588**
Financial expenses	15.38	2,672	2,071
Profit before income tax		**-/- 3,572**	**517**
Income tax expense	15.40	217	424
Profit for the period		**-/- 3,789**	**93**
Attributable to:			
Parent Company shareholders		-/- 3,789	93
Profit for the period		**-/- 3,789**	**93**
Basic earnings per share (€)	15.41.1	-/- 1.01	0.03
Diluted earnings per share (€)	15.41.4	-/- 1.01	0.03

10 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2020** In € 1,000	**2019** In € 1,000
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on net investment in group companies		-/- 1,276	59
Income tax on foreign currency translation differences on net investments in group companies		19	9
		-/- 1,257	68
Net gain / loss (-/-) recognised directly in group equity		**-/- 1,257**	**68**
Profit for the period	*9*	-/- 3,789	93
Total comprehensive income for the period		**-/- 5,046**	**161**
Attributable to:			
Parent Company shareholders		-/- 5,046	161
Total comprehensive income for the period		**-/- 5,046**	**161**

11 CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

	Issued capital In € 1,000	Share premium In € 1,000	Revaluation reserve In € 1,000	Reserve currency translation differences In € 1,000	Equity component convertible bonds In € 1,000	Retained earnings In € 1,000	Total share-holders' equity In € 1,000
Balance as at January 1, 2020	18,794	19,310	7,059	2,204	144	489	48,000
Total comprehensive income	-	-	-/- 368	-/- 1,257	-	-/- 3,421	-/- 5,046
Balance as at December 31, 2020	**18,794**	**19,310**	**6,691**	**947**	**144**	**-/- 2,932**	**42,954**
Balance as at January 1, 2019	15,826	15,350	7,661	2,136	210	-/- 272	40,911
Total comprehensive income	-	-	-/- 602	68	-/- 66	761	161
Own shares issued	2,968	5,068	-	-	-	-	8,036
Distributions to shareholders	-	-/- 1,108	-	-	-	-	-/- 1,108
Balance as at December 31, 2019	**18,794**	**19,310**	**7,059**	**2,204**	**144**	**489**	**48,000**

12 CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	2020 In € 1,000	2019 In € 1,000
Cash flow from operating activities			
Profit for the period	*9*	-/- 3,789	93
Adjustments for:			
Valuation results of properties	*15.27*	2,100	863
Valuation results of investment property under development	*15.29*	-/- 162	42
Impairment allowance of inventories		17	-
Results on disposals of properties[1]		1,133	-
Results on disposals of inventories[1]		-/- 11	-
Financial income	*15.33*	-/- 49	-/- 575
Financial expenses	*15.38*	2,689	2,071
Income tax expense	*15.40*	217	424
Changes in:			
Derivative financial instruments		191	-/- 22
Tax assets		-/- 72	-/- 6
Trade and other receivables		-/- 307	281
Prepayments and lease incentives		197	-/- 442
Tax liabilities		-/- 19	7
Trade and other payables		172	255
Deferred income and tenant deposits		-/- 93	191
Cash generated from operating activities		**2,214**	**3,182**
Interest received		2	6
Interest paid		-/- 2,558	-/- 1,764
Income tax paid / income tax received		-/- 225	-/- 190
Net cash from / used in (-/-) operating activities		**-/- 567**	**1,234**
Cash flow from investing activities			
Proceeds from the sale of assets held for sale		6,825	-
Proceeds from the sale of other investments		3	-
Acquisition of / additions to properties		-/- 719	-/- 512
Acquisition of / additions to assets held for sale		-/- 10	-/- 73
Net cash from / used in (-/-) investing activities	*15.44.1*	**6,099**	**-/- 585**
Cash flow from financing activities			
Proceeds from secured bank loans		377	5,024
Proceeds from other long-term liabilities		-	2,500
Repayment of secured bank loans		-/- 4,561	-/- 3,064
Repayment of convertible bonds		-	-/- 1,070
Repayment of other long-term liabilities		-/- 2,300	-/- 2,000
Payment of lease liabilities		-/- 178	-/- 185
Distributions to shareholders		-	-/- 1,108
Net cash from / used in (-/-) financing activities	*15.44.2*	**-/- 6,662**	**97**
Net increase / decrease (-/-) in cash and cash equivalents		-/- 1,130	746
Cash and cash equivalents as at 1 January	*15.11*	2,746	1,994
Effect of exchange and currency translation result on cash		-/- 94	6
Cash and cash equivalents as at 31 December	*15.11*	**1,522**	**2,746**

[1] Transaction costs excluded.

13 ACCOUNTING PRINCIPLES CONSOLIDATED FINANCIAL STATEMENTS

13.1 REPORTING ENTITY

The company Arcona Property Fund N.V., hereinafter referred to as “the Fund”, was incorporated on November 27, 2002 in accordance with Dutch law and is established in Amsterdam (the Netherlands). The Fund obtained a listing on the Euronext Fund Services (EFS) in Amsterdam on November 13, 2003 and a listing on the Prague Stock Exchange (PSE) in Prague on October 30, 2018.

The Fund is registered in Amsterdam (the Netherlands), De Entrée 55, 1101 BH and is entered in the Trade Register of the Chamber of Commerce under number 08110094.

The Fund is a closed-end investment company with variable capital within the meaning of Article 76a of Book 2 of the Dutch Civil Code. The Fund invests in commercial real estate in Central and Eastern Europe (CEE).

The Consolidated Financial Statements have been approved by the Supervisory Board.

The Consolidated Financial Statements of the Fund for the financial period comprise the Fund and its subsidiaries.

13.2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) and the interpretations thereof adopted by the International Accounting Standards Board (“IASB”) as adopted by the European Union (hereinafter referred to as “EU-IFRS”) and in accordance with Part 9 of Book 2 of the Dutch Civil Code (Titel 9, Boek 2 van het Burgerlijk Wetboek) and the Dutch Act on Financial Supervision (Wet op het financieel toezicht, the “Wft”).

13.3 STATEMENT OF COMPLIANCE AND FUTURE RELATED ASSUMPTIONS

The Fund has applied the significant accounting principles as set out in sections 13.2 to 13.30. The Managing Board authorised the Consolidated Financial Statements for issue on April 30, 2021.

As at December 31, 2020, group equity of the Fund is positive. As stated in the liquidity forecast up to end-2021, the current cash position is sufficient to cover budgeted costs. This forecast takes into account debt service requirements, the repayment and / or refinancing of loans and uncertainty regarding the impact of Covid-19 (see also 15.42 “Risk management” and 15.46 “Events after Statement of Financial Position’s date”).

Whilst the Central European region continues to suffer both high incidences of COVID infection and high death rates in international terms, the accelerating roll-out of the vaccination programme and the flexibility and adaptability evidenced by the local and national businesses that comprise the Fund´s tenant base create some cautious optimism for 2021. The Managing Board is confident that the operational income of the Fund will continue to be sufficient to meet all debt financing obligations and to maintain levels of capital expenditure necessary to sustain the physical fabric of the asset portfolio. Across the Fund´s core markets (Poland, Czech Republic and Slovakia) the existing secured debt position provides a stable long-term platform for operations, with a loan to value ratio of 42% and an average term to maturity of 3.1 years.

The current priority aim for the Managing Board remains the refinancing or repayment of certain short-term debt obligations at NV level. These currently amount to ca. € 6.5 million. Bearing in mind the Fund´s successful refinancing of over € 16.2 million of loans during the last twelve months, the Managing Board is confident this aim can be achieved during 2021 through a combination of further asset sales and new debt issuance. The

Managing Board expects to sell one further asset in Kosice in Q2, from the net proceeds of which a part of the outstanding debt obligations can be paid back during Q2 and Q3.

In Q1, the Managing Board also launched a new debt issuance programme targeting € 5 - € 10 million, working in conjunction with a placement agent. Three parties have formally expressed their interest in this new debt product and are currently conducting deeper enquiries into the portfolio and the terms offered. If successful, this issuance would raise further funds for debt repayment in Q2.

The economic volatility of the last twelve months has not dampened the demand from investors for real estate in most CEE regions and sectors other than those directly impacted by the pandemic, such as hospitality and comparison retail. This demand is expected to be maintained during 2021 and the Fund therefore plans to accelerate its disposal programme for non-core and non-income producing assets, specifically in Ukraine, Bulgaria and Slovakia. The Fund aims to realise between € 8 million and €15 million gross from its 2021 sale programme, to be used for debt repayment and cashflow purposes.

Due to the recent refinancing of all loans in Poland (total € 16.2 million) on April 1, 2021, the expected sales of further assets from Q2 onward and the planned refinancing programme for all remaining short-term loans, the Fund will reduce its overall debt obligations during 2021. Interest charges will therefore reduce in the course of the year. After this repayment and refinancing programme is complete the Managing Board expects a return to positive cashflow by year-end / early 2022.

However there is still uncertainty in the market due to COVID-19, the speed and effectiveness of vaccination programmes, the possibility of the emergence of new virus strains and the potential strength and pace of economic recovery. This uncertainty could have a negative impact on refinancing and sale plans for the rest of 2021. In the event that this leads to failure to redeem a loan on time or to other breaches of loan covenants, and a waiver or extension cannot be agreed, the lenders could charge penalty fees or higher interest rates or the Managing Board could be required to sell liquid assets in a short time period. Such penalties or 'forced sales' could destroy value and lead to falls in NAV per share.

Nevertheless, based on the assumptions stated above, the Managing Board is of the opinion that the Fund is able to continue through 2021 as a going concern. Therefore, these Consolidated Financial Statements are based on assumptions of going concern.

13.4 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

13.4.1 General

The Consolidated Financial Statements have been prepared on the basis of historical cost, except for:

- investment property;
- investment property under development;
- assets held for sale;
- financial assets at fair value through profit or loss; and
- financial liabilities at fair value through profit or loss.

Investment property and investment property under development are hereinafter referred to as 'Investment property'.

The accounting policies explained below have been consistently applied to the results, other gains and losses, assets, liabilities and cash flows of entities included in the Consolidated Financial Statements and are consistent with those used in the prior period, with the exception of the application of new and amended IFRS's as mentioned in section 13.4.4.

13.4.2 Judgements, assumptions and estimation uncertainties

13.4.2.1 General

Preparation of the Consolidated Financial Statements in accordance with EU-IFRS requires the Managing Board to make judgements, estimates and assumptions that affect the application of policies and the reported value of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these estimates and assumptions form the basis of the judgements made about carrying amounts of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

13.4.2.2 Judgements

Judgements made by Managing Board in the application of the EU-IFRS that have significant effect on the Consolidated Financial Statements with a significant risk of material adjustment in the next financial period are:

- equity-accounted investees: whether the Group has significant influence over an investee;
- consolidation: whether the Group has de facto control over an investee; and
- lease term: whether the Group is reasonably certain to exercise extension options.

13.4.2.3 Assumptions and estimation uncertainties

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.
Assumptions and estimation uncertainties made by the Managing Board that have significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities in the next financial period are:

- fair value measurements: in estimating the fair value of an asset or liability, the Group uses observable market data to the extent it is available. The Group engages external, independent appraisers to perform the valuation. The Managing Board works closely with the external, independent appraisers to establish the appropriate valuation techniques and inputs to the model;
- recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised;
- recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- measurement of “expected credit losses” allowance for trade receivables: key assumptions in determining the weighted-average loss rate;
- acquisition of subsidiary: fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed, measured on a provisional basis;
- identifying related parties.

13.4.3 Measurement of fair values

Several of the Fund’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Fund uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

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

- 13.8: “Financial instruments”;

- 13.9.2: “Investment property”;
- 13.10: “Investment property under development”;
- 13.19.2: “Assets held for sale”.

13.4.4 New and amended IFRS Standards and interpretations that are effective for the current period

A number of new standards, changes to standards and interpretations are applied in these Consolidated Financial Statements. Changes that are relevant for the Fund are described below.

Standards, amendments and interpretations effective as of January 1, 2020

- Amendments to IFRS 3 Business Combinations;
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark;
- Amendments to References to the Conceptual Framework in IFRS Standards.

These standards, amendments and interpretations do not have a significant impact on the Fund’s accounts as at December 31, 2020.

The Amendment to IFRS 16 Leases COVID-19-Related Rent Concessions adopted on October 9, 2020, is effective from June 1, 2020. In case the COVID-19-related rent concessions classifies as a lease modification, the Fund recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

13.4.5 New and revised IFRS Standards and interpretations not yet applied

A number of new standards, changes to standards and interpretations have only taken effect after January 1, 2020 and therefore have not been applied to these Consolidated Financial Statements. New standards that might be relevant for the Fund are described below. The Fund does not plan to apply early adoption of these standards. The Fund expects that the changes listed below will have no material effect on its results and financial position.

The following texts were published by the IASB but have not yet been endorsed by the European Union:

- IFRS 17: Insurance Contracts (effective date January 1, 2023);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective date January 1, 2023);
- Amendments to IFRS 3: Business combinations; IAS 16: Property, Plant and Equipment; IAS 37: Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020 (effective date January 1, 2022);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2: Disclosure of Accounting policies (effective date January 1, 2023);
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective date January 1, 2023).

13.5 BASIS OF CONSOLIDATION

13.5.1 Subsidiaries

Subsidiaries are those entities controlled by the Fund. Control exists when the Fund, directly or indirectly, is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated with effect from the date on which control commences until the date that control ceases.

The Fund recognises acquisitions if IFRS 3 (revised) “Business Combinations” or IAS 40 “Investment property” applies. Acquisitions are considered a business combination if there is an acquisition of assets, rental activities and such a management organisation, that the acquired entity can operate as an independent company, with the aim of generating economic results. The Fund does not necessarily consider acquisitions of properties within a legal company as a business combination, but evaluates these acquisitions individually for the above operational characteristics.

The Fund applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquired assets and the equity interests issued by the Fund. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Fund recognises any non-controlling interest in the acquired assets on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. "Goodwill" is the amount by which the cost of an acquired entity at first recognition exceeds the net fair value of the identifiable assets and liabilities and contingent liabilities assumed. Changes in the purchase price after the acquisition date do not result in recalculation or adjustment of the "Goodwill". After first recognition, the "Goodwill" is valued at costs less any cumulative impairment losses. "Goodwill" is attributed to cash-generating entities and is not amortised. "Goodwill" is assessed for impairment annually, or earlier if circumstances give cause. "Negative goodwill" resulting from an acquisition is recognised directly into Income Statement.

For acquisitions of subsidiaries not meeting the definition of a business, the Fund allocates the cost between the individual identifiable assets and liabilities assumed in the Fund based on their relative fair values at the date of acquisition. Acquisition-related costs are capitalised. Such transactions or events do not give rise to "Goodwill" and deferred taxes as at date of acquisition are not stated.

Consolidated Financial Statements are prepared using uniform accounting policies for similar transactions. Accounting principles of subsidiaries are consistent with the policies adopted by the Fund.

13.5.2 Elimination of transactions on consolidation

All intercompany receivables, payables, significant transactions and any unrealised profits and losses on transactions within the Fund, or income or expenses from such transactions within the Fund have been eliminated in the Consolidated Financial Statements to the extent that no impairment loss is applicable.

13.6 BASIS OF PREPARATION OF CONSOLIDATED STATEMENT OF CASH FLOW

The Fund has used the indirect method for the Consolidated Statement of Cash Flow. Given the nature of the Fund (investment company) financial income is not netted against financial expenses but presented separately under the total income (see also section 13.26.6), so financial income is presented in the Consolidated Statement of Cash Flow under "Cash flow from operating activities".

Cash and cash equivalents as mentioned in the Consolidated Statement of Cash Flow include the Statement of Financial Position's item "Cash and cash equivalents" and, if applicable "Bank overdrafts". Transactions without settlement in cash are not recognised in the Consolidated Statement of Cash Flow.

13.7 CURRENCY

13.7.1 Functional and presentation currency

The functional currency of the Fund is the Euro (EUR or €), reflecting the fact the majority of the Fund's transactions are settled in Euro. The Fund has adopted the Euro as its presentation currency since the ordinary shares of the Fund are denominated in Euro.

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

13.7.2 Foreign currency transactions

Foreign currency transactions are translated into Euros at the exchange rate applicable on the transaction date. Assets and liabilities denominated in foreign currencies are translated into Euros at the exchange rate applicable on the Statement of Financial Position's date. Exchange rate differences arising from translation are recognised in the Income Statement. Cash flows in foreign currencies are converted at the exchange rate applicable on settlements date.

13.7.3 Financial statements of foreign activities and net investment in foreign activities

The assets and liabilities of foreign operations and fair value adjustments arising on consolidation are translated into Euros at the exchange rate applicable on the Statement of Financial Position's date.
The income and expenses of foreign operations are translated into Euros at the exchange rates at the dates of the transactions. For practical reasons, the average monthly exchange rates for the financial period are used to approximate the exchange rates at the dates of the transactions, however only if the exchange rates do not fluctuate significantly.

Foreign currency translation differences arising on translation of the net investment in foreign activities, and the associated hedging transactions, are taken through the "Comprehensive income" and are recognised in the "Reserve currency translation differences". In case of a (part) reduction of the net investments in foreign activities, the deferred cumulative amount recognised in the "Comprehensive income" relating to that particular foreign operation will be recognised in the Income Statement.

13.7.4 Exchange rates used for the Consolidated Statement of Financial Position

	31-12-2020	31-12-2019
Bulgarian Lev (EUR / BGN)	1.95580	1.95580
% change	*0.0%*	*0.0%*
Czech Koruna (EUR / CZK)	26.24200	25.40800
% change	*-/- 3.3%*	*1.2%*
Polish Zloty (EUR / PLN)	4.55970	4.25680
% change	*-/- 7.1%*	*1.0%*
Ukrainian Hryvnia (EUR / UAH)	34.73960	26.42200
% change	*-/- 31.5%*	*16.7%*
US Dollar (EUR / USD)	1.22710	1.12340
% change	*-/- 9.2%*	*1.9%*

Source: European Central Bank (ECB) if available. Ukrainian Hryvnia: National Bank of Ukraine.

13.7.5 Average exchange rates used for the Consolidated Income Statement

	2020	2019
Bulgarian Lev (EUR / BGN)	1.95580	1.95580
Czech Koruna (EUR / CZK)	26.49758	25.65875
Polish Zloty (EUR / PLN)	4.46801	4.29898
Ukrainian Hryvnia (EUR / UAH)	31.21595	26.43658

13.8 FINANCIAL INSTRUMENTS

13.8.1 General

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

13.8.2 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

13.8.3.1 Classification of financial assets

In accordance with IFRS 7 financial assets have been classified as follows:

I. Debt instruments that meet the following conditions are measured subsequently at amortised cost:
   - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
   - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

II. Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):
   - the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
   - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

III. By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Fund may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see below); and
- the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see below).

I. Financial assets at amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Fund recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "financial income".

II. Financial assets classified as at FVTOCI

There are no debt instruments or equity instruments designated as at FVTOCI as at Statement of Financial Position’s date.

III. Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see I.) are measured at FVTPL. Specifically:

- investments in equity instruments are classified as at FVTPL, unless the Fund designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition;
- debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (I.) and (II.) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called “accounting mismatch”) that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Fund has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “Financial income” or “Financial expenses”.

All the Fund’s financial assets are classified as “Financial assets at amortised cost and effective interest method”, with the exception of:

- derivatives. These financial instruments are classified as “Financial assets at FVTPL”.

13.8.3.2 Impairment of financial assets

The Fund recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Fund always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Fund's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Fund recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Fund compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Fund's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Fund's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Fund presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Fund has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Fund assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default,
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Fund considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guarantee contracts, the date that the Fund becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Fund considers the changes in the risk that the specified debtor will default on the contract.

The Fund regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Fund considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Fund, in full (without taking into account any collateral held by the Fund).

Irrespective of the above analysis, the Fund considers that default has occurred when a financial asset is more than 3 months past due unless the Fund has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

A. significant financial difficulty of the issuer or the borrower;
B. a breach of contract, such as a default or past due event (see above);
C. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
D. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
E. the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Fund writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Fund's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Fund's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Fund in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses are consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

For a financial guarantee contract, as the Fund is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Fund expects to receive from the holder, the debtor or any other party.

If the Fund has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Fund measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which a simplified approach was used.

The Fund recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the "Revaluation reserve", and does not reduce the carrying amount of the financial asset in the Statement of Financial Position.

Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the "Revaluation reserve" is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Fund has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the "Revaluation reserve" is not reclassified to profit or loss, but is transferred to "Retained earnings".

13.8.3 Financial liabilities and equity

13.8.3.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Fund are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Fund's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Fund's own equity instruments.

Compound instruments
The component parts of convertible bonds issued by the Fund are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Fund's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to "Retained earnings". Where the conversion option remains unexercised at the maturity date of the convertible bond, the balance recognised in equity will be transferred to "Retained earnings". No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method.

13.8.3.2 Financial liabilities
All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Fund, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is:
1. contingent consideration of an acquirer in a business combination;
2. held for trading; or
3. it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Fund of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management or investment strategy, and information about the Grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in "Financial income" or "Financial expenses".

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Fund that are designated by the Fund as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not:

1. contingent consideration of an acquirer in a business combination, or
2. held-for-trading, or
3. designated as at FVTPL

are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

All the Fund's liabilities are classified as "financial liabilities measured subsequently at amortised cost", with the exception of:

1. derivatives. These financial instruments are classified as "Financial liabilities at FVTPL".

Derecognition of financial liabilities
The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Fund exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Fund accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that 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 rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification is not substantial, the difference between:

1. the carrying amount of the liability before the modification; and
2. the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

13.8.3.3 Derivative financial instruments

The Fund enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Fund has both the legal right and the intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

Other derivatives are presented as current assets or current liabilities.

13.9 INVESTMENT PROPERTY

13.9.1 General

Investment property compromises owned investment property, as well as right-of-use assets. Investment property is property that is held to realise rental income or an increase in value, or both. Right-of-use assets are assets that represent a lessee's right to use an underlying asset for the lease term.
The initial recognition of investment properties is at cost including related transaction costs. After initial recognition, investment properties are carried at fair value, with an adjustment for the carrying amount of lease incentives. The accounting principles for right-of-use assets are described in section 13.27 "Leases".

13.9.2 Measurement of fair value

Fair value is the price that would be received for an asset in an orderly transaction between market participants at the measurement date and adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Fund uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow or capitalisation projections. Valuations are performed as at Statement of Financial Position's date. External valuations are performed by an independent appraiser with relevant recognised qualifications and recent experience with the location and the type of property. The valuations have been made in accordance with the appropriate sections of the current RICS Valuation Standards. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Considering the type of investment property Level 3 fair value hierarchy is applied for all real estate assets in the portfolio.

The valuations are made on the basis of the total of the net annual rents generated by the properties and, where relevant, the associated costs. The major sources of uncertainty in estimates are as follows:

A. development of rents;
B. capitalisation factor for transactions;
C. fair rents per type of property;
D. property prices;
E. vacancy;
F. remaining period of non-cancellable rental contracts.

Three standard methods of valuation computation are considered, namely:

1. term and reversion;

The term and reversion method involves the following: net income up to the end of the contract term and the market-based net income over the following at least ten years are discounted back to the valuation date ("term"). For the time after this period, the stabilised net rental income is capitalised at the market interest rate and also discounted back to the valuation date to determine the perpetual yield ("reversion"). Depending on the estimates of risk - which are based on the type of property, location and region as well as current market circumstances - different discount rates are applied to the current rental income and the capitalisation of the perpetual yield. The assumptions underlying the valuation, e.g. for risk, void periods, vacancies or maintenance costs and capex are based on estimates by relevant market players, on derived data or the appraisers' experience. Capital expense (CAPEX) is expenditure in the foreseeable future which falls outside the scope of the normal annual maintenance programme.

2. hard core and top-slice;

The hard core and top-slice method is similar to the logic behind the term and reversion model. Net income generated by the property - up to the market rent (hard core component) - is capitalised at a normal market interest rate as a perpetual yield over the entire term (term of the rental contract plus subsequent rental). The top-slice component (the net income for this same term that exceeds the market rent) is then discounted at a risk-adjusted market interest rate. The amount of the risk premium is dependent on the probability of vacancy.

3. initial yield.

The initial yield method applies a single all risks yield at the date of valuation, i.e. net income / gross purchase price.

For all investment properties that are measured at fair value, the current use of the properties is their highest and best use. In these financial statements all properties were externally valued using the “hard core and top-slice method”.. In order to arrive at the valuation of the property, the annual net rents are capitalized using a yield factor that reflects the specific risks inherent to the net cash flows.

13.9.3 Analysis of assumptions and input parameters used in the valuations per property category

The fair value is the outcome of the (theoretical) rent divided by the net initial yield (expressed as a percentage) of the investment property. The yields applied are specific to the type of property, location, maintenance condition and letting potential of each asset. The yields are determined based on comparable transactions, as well as on market and asset-specific knowledge.

The most important assumptions and input parameters used in the valuations are mentioned in below tables.

No.	Property category	Yield factor 2020[2]	Yield factor 2019
		in %	in %
A	Office B^+-class	6.25 - 9.31	6.25 - 9.05
B	Office B^--class	7.50 - 9.00	7.50 - 9.00
C	Office / business B / C-class	8.00 - 13.50	8.00 - 13.50
D	Retail B-class	7.98 - 12.13	7.88 - 12.00

No.	Property category	Market rent per sqm 2020	Market rent per sqm 2019
		in € 1	In € 1
A	Office B^+-class	114 - 163	108 - 158
B	Office B^--class	119 - 126	118 - 132
C	Office / business B / C-class	55 - 78	60 - 84
D	Retail B-class	79 - 153	72 - 156

No.	Property category	Vacancy 2020	Vacancy 2019
		in %	in %
A	Office B^+-class	5.4 - 20.0	0.0 - 18.9
B	Office B^--class	4.4 - 31.3	0.8 - 23.1
C	Office / business B / C-class	16.3 - 43.6	11.7 - 31.3
D	Retail B-class	0.0 - 30.5	0.0 - 100.0

Where necessary the following aspects are reflected in the valuation:

- the type of tenant that uses the property or that is responsible for fulfilling the rental obligations, or the type of tenant that is likely to use the property after vacancy, and the general expectation with regard to their creditworthiness;
- void periods, vacancies and maintenance costs, which are based on estimates by relevant market players, on derived data or the appraisers’ experience;
- the residual economic life of the property. Standard and infinite economic life is assumed;
- whereby it is assumed that in the case of rent adjustment or extension of the lease, in the case of which a rent increase is expected, all notifications, and where necessary notices to the contrary, meet all legal requirements and have been sent in good time.

Profits or losses arising from changes in the fair value are recognised in the Income Statement. In determining the property fair value capitalized lease incentives are reflected in the valuation results, to avoid double counting.

[2] The yield factors 2019 and 2020 correspond with the equivalent yield specifications of the external independent appraiser.

As at the valuation date there were an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which valuators base their judgements. The property valuations are therefore reported as being subject to ‘material valuation uncertainty’ as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

13.10 INVESTMENT PROPERTY UNDER DEVELOPMENT

Property that is currently being constructed or developed for future use as investment property is classified as investment property under development. Investment property under development is measured at fair value if the fair value is considered to be reliably determinable. Investment property under development for which the fair value cannot be determined reliably, but for which the Fund expects that the fair value of the property will be reliably determinable when construction is completed, is measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier.

It may sometimes be difficult to reliably determine the fair value of the investment property under development. In order to evaluate this, the Managing Board considers the following factors, among others:
- the provisions of the construction contract;
- the stage of completion;
- whether the project / property is standard (typical for the market) or non-standard;
- the level of reliability of expected cash inflows after completion;
- the development risk specific to the property;
- past experience with similar constructions;
- status of construction permits.

Costs include the material and labour for the construction, costs of staff directly related to technical supervision, project management on the basis of time spent and finance costs. The finance cost is capitalised interest that is charged until the date of delivery and is based on the interest to be allocated to development or on the basis of the average effective rate of the Group, where no specific project financing is present. Interest charges include interest and all costs associated with the Fund.
Capitalised interest will cease when substantially all the activities necessary to prepare the investment property under development for its intended use or sale are complete.

The fair value of investment property under development is determined on an identical basis to investment property, with the understanding that the capitalisation factor is adjusted to reflect development risks.

Fair value changes and impairment losses are recognised in the income statement as valuation result. Investment property under development will be transferred to investment property on the date of delivery.

13.11 INVENTORIES

Inventories are recognised initially at cost, including transaction costs, which represents their fair value at the time of acquisition and are subsequently measured at the lower of cost and net realizable value.

Costs include the material and labour for the construction, costs of staff directly attributable to technical supervision, project management on the basis of time spent and finance costs. The finance cost is capitalised interest that is charged until the date of delivery and is based on the interest to be allocated to inventories or on the basis of the average effective rate of the Group, where no specific project financing is present. Interest charges include interest and all costs associated with the Fund.
Capitalised interest will cease when substantially all the activities necessary to prepare the inventories for their intended use or sale are complete.

13.12 OTHER INVESTMENTS

All other investments are financial instruments. For the accounting principles for financial instruments reference is made to section 13.8 “Financial instruments”.

13.13 DERIVATIVE FINANCIAL INSTRUMENTS

For the accounting principles with regard to derivative financial instruments (assets and liabilities) see section 13.8 “Financial instruments”.

13.14 DEFERRED TAX ASSETS

The accounting principles with regard to deferred tax assets are described in section 13.30 “Income tax expense”.

13.15 TAX ASSETS

Tax assets comprise the expected tax receivable on the taxable amounts and any adjustments to the tax receivable in respect of previous years. The amount of the tax receivable is the best estimate of the tax amount expected to be received, reflecting uncertainty related to taxes.

13.16 TRADE AND OTHER RECEIVABLES

Trade and other receivables (without a significant financing component) are initially measured at the transaction price and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

13.17 PREPAYMENTS AND LEASE INCENTIVES

Prepayments and lease incentives are initially and subsequently measured at historical cost. Prepayments and lease incentives are allocated proportionally to subsequent periods.

13.18 CASH AND CASH EQUIVALENTS

“Cash and cash equivalents” consist of cash and bank balances. Time deposits are only included in “Cash and cash equivalents” if the expectation is that they will be used to fund working capital within a period of three months or less from the date of acquisition. In the Consolidated Statement of Cash Flow bank overdrafts at call, which constitute an integral part of the Fund’s asset management, form part of “Cash and cash equivalents”.

13.19 ASSETS HELD FOR SALE

13.19.1 General

Non-current assets or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. This only applies if the asset or disposal group is available for immediate sale in its present condition. Furthermore, the sale must be highly probable, management must be committed to a plan to sell the asset or disposal group and an active programme to locate a buyer must have been initiated. The sale should be completed within one year from the date of classification.

13.19.2 Measurement of fair value

Assets or disposal groups held for sale are generally measured at the lower of their carrying amount and fair value less cost of disposal, except for investment property. Investment property held for sale and right-of-use assets held for sale are measured in accordance with section 13.9 “Investment property”. Any impairment loss on a disposal group is allocated to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets or investment property, which continue to be measured in accordance with the Fund's regular accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on re-measurement are recognised in the Income Statement.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

13.20 GROUP EQUITY

For the accounting principles of the several equity components see sections 18.3.3 to 18.3.7.

13.21 TAX LIABILITIES

Tax liabilities comprise the expected tax payable on the taxable amounts and any adjustments to the tax payable in respect of previous years. The amount of the tax payable is the best estimate of the tax amount expected to be paid, reflecting uncertainty related to taxes.

13.22 LOANS AND BORROWINGS

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost, with any difference between cost and the redemption amount being stated in the Income Statement over the term of the loans using the effective interest method.

13.23 TRADE AND OTHER PAYABLES

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

13.24 DEFERRED INCOME AND TENANT DEPOSITS

Deferred income and tenant deposits are initially and subsequently measured at historical cost. Deferred income and tenant deposits are allocated proportionally to subsequent periods.

13.25 DEFERRED TAX LIABILITIES

For the accounting principles with regard to the deferred tax liabilities see section 13.30 “Income tax expense”.

13.26 INCOME

13.26.1 Gross rental income

Gross rental income from investment properties is stated in the Income Statement excluding Value Added Tax, on the basis of the period of the lease. If the investment property has been acquired during the financial period, the rental income is accounted as of the date of acquisition by the Fund. If office or other equipment is leased together with the premises, this is included in the rental income.

Rent adjustments due to indexation are recognised as they arise.

Investments made or allowances granted to tenants by the Fund (“lease incentives”) are allocated on a linear basis over the lease term. The lease term consists of the period until the first break option for the tenants, which period can be extended by the Managing Board with the expected prolongation of the leases.

Revenue received from tenants for early termination of leases is directly recognised in the Income Statement as it arises.

13.26.2 Service charge income and service charge expenses

The Fund is acting as principal for service charge income. Service charges to lessees are not included in the gross rental income but are stated in the Income Statement as service charge income. The service charges invoiced to tenants and the corresponding expenses are allocated to the period to which they relate. Service charges are recognised in the Income Statements of the period to which they relate.

13.26.3 Property operating expenses

Property operating expenses consist mainly of maintenance costs, property taxes, insurance premiums and management and collection costs. Service charges are stated separately in the Income Statement. If the investment property has been acquired in the course of the financial period, the direct operating expenses are accounted for from the date of acquisition by the Fund.

13.26.4 Valuation results of properties

The valuation results of properties are unrealised changes in the fair value of properties compared to the fair value as at 31 December of the preceding financial period. In case (part of) a property is sold the valuation result of properties includes also the reversal of the unrealised changes in the fair value from prior years (see also section 13.25.5).

13.26.5 Results on disposals of properties

The results on disposals of properties comprise realised results on disposals of properties. This result is calculated by the difference between the selling price less the original purchase price. Therefore the results on disposals of properties comprise the valuation result of properties in the current year as well as the unrealised valuation results of properties booked in prior years.

13.26.6 Financial income

Interest income on funds invested is recognised in the Income Statement as it accrues.

Given the nature of the Fund (investment company) financial income is not netted against finance charges, but presented separately under the total income. Financial income arises principally from the investments held in order to be used for investment in property. Financial income also includes the exchange and currency translation profits that arise principally from the settlement of monetary items or from the translation of monetary items in foreign currency.

Financial income also includes the positive changes in fair value of derivatives.

13.26.7 Other operating income

Other operating income is recognised in the Income Statement when it is probable that the economic benefits will flow into the Fund and the (net) revenues can be measured reliably.

Other operating income also includes any lump-sum payments made by tenants as compensation for early termination of rental contracts.

13.27 LEASES

At inception of a contract, the Fund assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Fund uses the definition of a lease in IFRS 16.

The Fund as a lessee
At commencement or on modification of a contract that contains a lease component, the Fund allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Fund has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Fund recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses or, if it relates to investment property the right-of-use will be valued at fair value in line with IAS 40. The right-of-use will additionally be adjusted for any remeasurement of the lease liability, when applicable.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Fund's incremental borrowing rate. Generally, the Fund uses its incremental borrowing rate as the discount rate.

The Fund determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Fund is reasonably certain to exercise, lease payments in an optional renewal period if the Fund is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Fund is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and low value assets
The Fund has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Fund recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Fund as a lessor
At inception or on modification of a contract that contains a lease component, the Fund allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Fund acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Fund makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Fund considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Fund is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Fund applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Fund applies IFRS 15 to allocate the consideration in the contract.

The Fund applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Fund further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Fund recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of “other revenue”.

Generally, the accounting policies applicable to the Fund as a lessor in the comparative period did not differ from IFRS 16.

13.28 ADMINISTRATIVE EXPENSES AND OTHER OPERATING EXPENSES

Administrative expenses and other operating expenses are recognised in the Income Statement. Expenses may only be deferred if they meet the definition of an asset.

13.29 FINANCIAL EXPENSES

Financial expenses comprise the interest expense on funds taken up, calculated using the effective interest method, exchange and currency translation losses, which arise principally from the settlement of monetary items, or in the translation of monetary items in foreign currency.

Financial expenses also include the negative changes in fair value of derivatives.

Interest expense is recognised in the Income Statement as it accrues, by means of the effective interest rate method.

13.30 INCOME TAX EXPENSE

13.30.1 Income tax expense

The income tax expense for the financial period comprises current and deferred tax. It is recognised in Income Statement except to the extent that it relates to a business combination, or items recognised in equity or comprehensive income.

13.30.2 Current tax

The current tax comprises the expected tax payable or receivable on the taxable statement of income for the financial period and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted as at Statement of Financial Position's date. Current tax also includes any tax arising from dividends.

Tax assets and liabilities are offset only if certain criteria are met.

13.30.3 Deferred tax

Deferred tax is recognised in respect of taxable and / or deductible temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is not recognised for:

- taxable and / or deductible temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss ("Initial Recognition Exception");
- taxable and / or deductible temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Fund is able to control the timing of the reversal of the taxable temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable and / or deductible temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Fund. Deferred tax assets are reviewed at each Statement of Financial Position's date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each Statement of Financial Position's date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, using tax rates enacted or substantively enacted at the Statement of Financial Position's date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Fund expects, at Statement of Financial Position's date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of properties measured at fair value is presumed to be recovered through sale, and the Fund has not rebutted this presumption.

Deferred tax assets and liabilities are offset in case the Fund or its subsidiaries has a legally enforceable right to set-off tax assets against tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same Tax Authority.

14 SEGMENT INFORMATION

14.1 GENERAL

Segment information is given for each operating segment. An operating segment is a component of the Fund:
- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the Fund);
- whose operating results are used by the fund manager to make decisions about resources to be allocated to the segment and to regularly review and assess its performance; and for which discrete financial information is available.

Given the Fund's management decision-making structure and internal reporting structure each property is indicated as an operating segment. The properties held during the financial period (current period and / or previous period), as mentioned in section 14.4.3 "Overview carrying amount of type of property per segment (overview B)", are taken into account in the segment reporting overviews.
The following segment reporting overviews are given for each property:

A. overview of segment result (net operating income), apportioned to the Fund's geographic categories;
B. overview carrying amount of type of property, apportioned to the Fund's geographic categories;
C. overview of assets apportioned to the Fund's geographic categories;

Since each separate property is indicated as an operating segment, most of the Fund's assets cannot be allocated to the operating segments. Therefore only the carrying amount of each property is reported as a segment asset (see section 14.4.3 "Overview carrying amount of type of property per segment (overview B)").

14.2 GEOGRAPHIC CATEGORIES

The Fund distinguishes the following geographic categories:

A. Czech Republic;
B. Slovakia;
C. Poland;
D. Ukraine;
E. Bulgaria;
F. The Netherlands;
G. Other countries.

14.3 SEGMENTATION CRITERIA

The following segmentation criteria are used:

- if the assets in an individual foreign country represent more than 1% of the total assets as at Statement of Financial Position's date, these assets shall be disclosed separately. If those assets represent less than 1% of the total assets as at Statement of Financial Position's date, these items will be allocated as "Other countries". The assets located in the Fund's country of domicile are disclosed separately, also in case these assets are less than 1% of the total assets;
- the allocation of the property is based on the geographic location of the premises;
- the allocation of deferred tax assets is based on the geographic location of the company which generated the deferred tax assets;
- the allocation of investments in associates is based on the business location of the company the Fund invests in;
- the allocation of other assets (bank accounts, cash, receivables, etc.) is based on the geographic location of the debtor.

The allocation of segment results to the several geographic categories is based on the geographic location of the premises.

14.4 SEGMENT RESULTS

14.4.1 Overview of segment result (overview A)

Segment	Gross rental Income 2020 in € 1,000	Gross rental Income 2019	Service charge income 2020 in € 1,000	Service charge income 2019	Service charge expenses 2020 in € 1,000	Service charge expenses 2019	Property operating expenses 2020 in € 1,000	Property operating expenses 2019	Subtotal net rental & related income 2020 in € 1,000	Subtotal net rental & related income 2019
Czech Republic:										
Palmovka	250	271	103	109	-/- 83	-/- 89	-/- 76	-/- 76	194	215
Karlin	450	430	173	177	-/- 139	-/- 145	-/- 122	-/- 152	362	310
VUP	210	213	179	173	-/- 152	-/- 162	-/- 78	-/- 86	159	138
PV 10	267	313	128	156	-/- 108	-/- 115	-/- 91	-/- 100	196	254
Total Czech Republic	**1,177**	**1,227**	**583**	**615**	**-/- 482**	**-/- 511**	**-/- 367**	**-/- 414**	**911**	**917**
Slovakia:										
Záhradnicka	350	375	11	11	-/- 82	-/- 102	-/- 135	-/- 103	144	181
Pražská 2	438	486	6	8	-/- 198	-/- 195	-/- 155	-/- 167	91	132
Pražská 4	385	377	5	4	-/- 128	-/- 122	-/- 131	-/- 121	131	138
Krivá 18	327	414	12	6	-/- 92	-/- 108	-/- 37	-/- 111	210	201
Krivá 23	336	436	15	9	-/- 99	-/- 119	-/- 27	-/- 118	225	208
Letná	1,188	1,164	13	20	-/- 195	-/- 190	-/- 363	-/- 265	643	729
Vural	455	461	69	81	-/- 242	-/- 241	-/- 167	-/- 144	115	157
Kosmalt	666	946	13	10	-/- 369	-/- 378	-/- 276	-/- 299	34	279
Total Slovakia	**4,145**	**4,659**	**144**	**149**	**-/- 1,405**	**-/- 1,455**	**-/- 1,291**	**-/- 1,328**	**1,593**	**2,025**
Poland:										
Laubitza 8	176	202	56	73	-/- 64	-/- 73	-/- 46	-/- 57	122	145
800-lecia Inowroclawia	174	294	167	113	-/- 101	-/- 100	-/- 72	-/- 69	168	238
Krzemowa	263	245	128	141	-/- 101	-/- 115	-/- 72	-/- 70	218	201
Plutona	47	100	22	48	-/- 66	-/- 49	-/- 47	-/- 47	-/- 44	52
Kalinkowa	223	207	143	141	-/- 131	-/- 140	-/- 93	-/- 83	142	125
Wojska Polskiego	239	250	175	170	-/- 134	-/- 134	-/- 95	-/- 77	185	209
Wolnosci	161	158	63	63	-/- 80	-/- 69	-/- 57	-/- 59	87	93
Graniczna	-	-	-	-	-/- 22	-/- 42	-/- 16	-/- 46	-/- 38	-/- 88
Grzymaly Siedleckiego	232	232	115	68	-/- 116	-/- 72	-/- 33	-/- 29	198	199
Kardyn. Wyszynskiego	209	237	138	120	-/- 141	-/- 116	-/- 40	-/- 45	166	196
Legionow	327	351	175	146	-/- 163	-/- 133	-/- 46	-/- 45	293	319
Maris	709	713	321	337	-/- 274	-/- 283	-/- 158	-/- 165	598	602
Total Poland	**2,760**	**2,989**	**1,503**	**1,420**	**-/- 1,393**	**-/- 1,326**	**-/- 775**	**-/- 792**	**2,095**	**2,291**
Ukraine:										
Aisi Bela	-	-	-	-	-/- 2	-	-/- 38	-/- 8	-/- 40	-/- 8
Bulgaria:										
Boyana	-	-	-	-	-	-	-/- 117	-/- 1	-/- 117	-/- 1
Inventories	1	-	-	-	-	-	-/- 44	-/- 4	-/- 43	-/- 4
Total Bulgaria	**1**	**-**	**-**	**-**	**-**	**-**	**-/- 161**	**-/- 5**	**-/- 160**	**-/- 5**
Grand total	**8,083**	**8,875**	**2,230**	**2,184**	**-/- 3,282**	**-/- 3,292**	**-/- 2,632**	**-/- 2,547**	**4,399**	**5,220**

Segment	Subtotal net rental & related income 2020	2019	Net results on properties[3] 2020	2019	Other operating income[4] 2020	2019	Financial expenses[5] 2020	2019	Total segment result 2020	2019
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Czech Republic:										
Palmovka	194	215	-/- 297	296	-	-	-	-	-/- 103	511
Karlin	362	310	98	126	2	-	-	-	462	436
VUP	159	138	-/- 18	50	1	-	-	-	142	188
PV 10	196	254	-/- 43	140	11	6	-	-	164	400
Total Czech Republic	**911**	**917**	**-/- 260**	**612**	**14**	**6**	**-**	**-**	**665**	**1,535**
Slovakia:										
Záhradnicka	144	181	-/- 184	149	-	-	-	-	-/- 40	330
Pražská 2	91	132	-/- 206	-/- 59	-	-	-	-	-/- 115	73
Pražská 4	131	138	-/- 1	-/- 62	-	-	-	-	130	76
Krivá 18	210	201	-/- 280	-/- 440	-	-	-	-	-/- 70	-/- 239
Krivá 23	225	208	-/- 332	-/- 51	-	-	-	-	-/- 107	157
Letná	643	729	1,922	-/- 103	-	-	-	-	2,565	626
Vural	115	157	164	184	-	-	-	-	279	341
Kosmalt	34	279	-/- 1,269	-/- 78	-	-	-	-	-/- 1,235	201
Total Slovakia	**1,593**	**2,025**	**-/- 186**	**-/- 460**	**-**	**-**	**-**	**-**	**1,407**	**1,565**
Poland:										
Laubitza 8	122	145	-/- 188	-/- 317	-	-	-	-	-/- 66	-/- 172
800-lecia Inowroclawia	168	238	-/- 498	-/- 39	-	-	-	-	-/- 330	199
Krzemowa	218	201	-/- 51	1	-	-	-	-	167	202
Plutona	-/- 44	52	-/- 143	-/- 430	-	46	-	-	-/- 187	-/- 332
Kalinkowa	142	125	-/- 288	149	-	-	-	-	-/- 146	274
Wojska Polskiego	185	209	-/- 214	-/- 67	-	-	-	-	-/- 29	142
Wolnosci	87	93	-/- 50	5	-	-	-	-	37	98
Graniczna	-/- 38	-/- 88	-/- 200	-/- 250	-	-	-	-	-/- 238	-/- 338
Grzymaly Siedleckiego	198	199	-/- 17	36	-	-	14	17	167	218
Kardyn. Wyszynskiego	166	196	-/- 196	-/- 167	-	-	26	29	-/- 56	-
Legionow	293	319	-/- 170	224	-	-	52	54	71	489
Maris	598	602	-/- 477	-/- 191	-	-	-	-	121	411
Total Poland	**2,095**	**2,291**	**-/- 2,492**	**-/- 1,046**	**-**	**46**	**92**	**100**	**-/- 489**	**1,191**
Ukraine:										
Aisi Bela	-/- 40	-/- 8	185	-/- 54	-	-	-	-	145	-/- 62
Bulgaria:										
Boyana	-/- 117	-/- 1	-/- 498	43	-	-	-	-	-/- 615	42
Inventories	-/- 43	-/- 4	-/- 40	-	-	-	-	-	-/- 83	-/- 4
Total Bulgaria	**-/- 160**	**-/- 5**	**-/- 538**	**43**	**-**	**-**	**-**	**-**	**-/- 698**	**38**
Grand total	**4,399**	**5,220**	**-/- 3,291**	**-/- 905**	**14**	**52**	**92**	**100**	**1,030**	**4,267**

[3] Including impairment allowance of inventories and results on disposals of inventories.

[4] “Other operating income” relates solely to early termination of rental contracts.

[5] “Financial expenses” relates solely to interest expense on lease liabilities.

14.4.2 Reconciliation segment result with profit for the period

The reconciliation between the total segment results as calculated in section 14.4.1 with the profit for the period, stated in the Consolidated Income Statement, is made below.

	2020 in € 1,000	**2019** in € 1,000
Total segment result (overview A)	1,030	4,267
Unallocated income	65	583
Unallocated expenses	4,667	4,333
Profit before income tax	-/- 3,572	517
Income tax expense	217	424
Profit for the period	**-/- 3,789**	**93**

14.4.3 Overview carrying amount of type of property[6] per segment[7] (overview B)

Segment	Carrying amount 31-12-2020	Carrying amount 31-12-2019
Office:		
Palmovka	2,949	3,219
Karlin	5,921	5,910
VUP	2,515	2,598
PV 10	5,620	5,713
Záhradnicka	4,313	4,497
Pražská 2	2,593	2,799
Pražská 4	2,505	2,506
Krivá 18	Sold	2,914
Krivá 23	Sold	3,359
Letná	12,933	11,010
Vural	4,720	4,554
Maris	8,830	9,149
Total office	**52,899**	**58,228**
Retail:		
Laubitza 8	1,950	2,138
800-lecia Inowroclawia	2,322	2,820
Krzemowa	3,011	3,062
Plutona	1,695	1,658
Kalinkowa	2,342	2,630
Wojska Polskiego	3,339	3,553
Wolnosci	1,347	1,397
Graniczna	Sold	1,175
Grzymaly Siedleckiego	1,639	1,611
Kardyn. Wyszynskiego	1,706	1,868
Legionow	2,690	2,849
Total retail	**22,041**	**24,761**
Residential:		
Kosmalt	4,763	6,032
Inventories Boyana	1,818	2,823
Total residential	**6,581**	**8,855**
Land:		
Aisi Bela	3,085	3,837
Boyana	4,837	5,335
Total land	**7,922**	**9,172**
Grand total	**89,443**	**101,016**

14.4.4 Major tenants

The Fund has one tenant (2019: no) with a gross rental income more than 10% (i.e. € 832,000) of the Fund’s total gross rental income. This tenant is a tenant in the building of Letná, located in Slovakia.

[6] Right-of-use assets excluded
[7] Based on main purpose of the property.

14.4.5 Overview of geographic assets (overview C)

	Czech Republic		Slovakia		Poland		Ukraine		Subtotal	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Investment property	17,005	17,440	21,966	20,061	32,365	34,319	676	861	72,012	72,681
Investment property under development	-	-	-	-	-	-	2,409	2,976	2,409	2,976
Other investments	-	4	-	-	-	-	-	-	-	4
Deferred tax assets	-	-	-	-	-	176	116	130	116	306
Inventories	-	-	-	-	-	-	-	-	-	-
Tax assets	1	-	-	-	188	143	-	-	189	143
Trade and other receivables	70	57	235	136	403	259	-	-	708	452
Prepayments and lease incentives	98	220	343	440	328	250	3	-	772	910
Cash and cash equivalents	401	460	369	610	568	1,067	14	-	1,352	2,137
Assets held for sale	-	-	9,861	17,610	-	1,175	-	-	9,861	18,785
	17,575	**18,181**	**32,774**	**38,857**	**33,852**	**37,389**	**3,218**	**3,967**	**87,419**	**98,394**

	Subtotal (transfer)		Bulgaria		The Netherlands		Other countries		Grand total	
	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019	31-12-2020	31-12-2019
	in € 1,000		in € 1,000		in € 1,000		in € 1,000		in € 1,000	
Investment property	72,012	72,681	4,837	5,335	-	-	-	-	76,849	78,016
Investment property under development	2,409	2,976	-	-	-	-	-	-	2,409	2,976
Other investments	-	4	-	-	-	-	-	-	-	4
Deferred tax assets	116	306	61	61	-	-	-	-	177	367
Inventories	-	-	1,818	2,823	-	-	-	-	1,835	2,823
Tax assets	189	143	-	1	-	-	-	-	189	144
Trade and other receivables	708	452	-	2	-	-	114	194	822	648
Prepayments and lease incentives	772	910	-	1	3	78	-	-	775	989
Cash and cash equivalents	1,352	2,137	3	199	167	410	-	-	1,522	2,746
Assets held for sale	9,861	18,785	-	-	-	-	-	-	9,861	18,785
	87,419	**98,394**	**6,719**	**8,422**	**170**	**488**	**114**	**194**	**94,422**	**107,498**

15 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15.1 SUBSIDIARIES

15.1.1 Consolidated subsidiaries

All subsidiaries of the Fund have been included in the consolidation. These are as follows:

Name of subsidiary	Registered office	Country of incorporation	Proportion of shares held by the parent 31-12-2020	Proportion of shares held by the group 31-12-2020
			In %	In %
Arcona Capital RE Bohemia s.r.o.	Prague	Czech Republic	100.0	n.a.
Arcona Capital RE Slovakia s.r.o.	Bratislava	Slovakia	100.0	n.a.
Arcona Capital Real Estate Poland Sp. z o.o.	Warsaw	Poland	100.0	n.a.
Arcona Capital Real Estate Trio Sp. z o.o.	Warsaw	Poland	100.0	n.a.
Arcona Real Estate B.V.	Amsterdam	The Netherlands	100.0	n.a.
Arcona Poland B.V.	Amsterdam	The Netherlands	n.a.	100.0
Arcona Poland B.V. Project 5 Sp.k.	Warsaw	Poland	n.a.	100.0
Aisi Bela LLC	Kiev	Ukraine	100.0	n.a.
Boyana Residence E.O.O.D.	Sofia	Bulgaria	100.0	n.a.
Arcona Capital Real Estate Bulgaria Ltd.	Sofia	Bulgaria	100.0	n.a.

Name of subsidiary	Registered office	Country of incorporation	Proportion of shares held by the parent 31-12-2019	Proportion of shares held by the group 31-12-2019
			In %	In %
Arcona Capital RE Bohemia s.r.o.	Prague	Czech Republic	100.0	n.a.
Arcona Capital RE Slovakia s.r.o.	Bratislava	Slovakia	100.0	n.a.
Arcona Capital Real Estate Poland Sp. z o.o.	Warsaw	Poland	100.0	n.a.
Arcona Capital Real Estate Trio Sp. z o.o.	Warsaw	Poland	100.0	n.a.
Arcona Real Estate B.V.	Amsterdam	The Netherlands	100.0	n.a.
Arcona Poland B.V.	Amsterdam	The Netherlands	n.a.	100.0
Arcona Poland B.V. Project 5 Sp.k.	Warsaw	Poland	n.a.	100.0
Aisi Bela LLC	Kiev	Ukraine	100.0	n.a.
Boyana Residence E.O.O.D.	Sofia	Bulgaria	100.0	n.a.
Arcona Capital Real Estate Bulgaria Ltd.	Sofia	Bulgaria	n.a.	n.a.

15.1.2 Subsidiaries incorporated during the financial period

During the financial period the Fund incorporated no subsidiaries.

15.1.3 Subsidiaries acquired during the financial period

During the financial period the Fund acquired the following subsidiaries:

Subsidiary	Interest In %	Date of acquisition
Arcona Capital Real Estate Bulgaria Ltd.	100.0	February 24, 2020

The acquisitions during the financial period are not determined as a business combination. Therefore the acquisitions during the financial period are not classified as an IFRS-3 transaction, but as an asset acquisition. Therefore the result on acquisition of the identifiable assets acquired and liabilities assumed are attributed to the acquired “properties”.

15.1.3.1 Acquisition of Arcona Capital Real Estate Bulgaria Ltd.

The following table summarises the recognised amounts at fair value of assets acquired and liabilities assumed at the date of acquisition, as well as the “Result on acquisition”. The “Result on acquisition” relates to the amount by which the balance of the identifiable net assets acquired exceeds the consideration paid, including acquisition-related costs. This surplus is attributed to the acquired “properties”.

	24-02-2020		
Identifiable assets acquired and liabilities assumed	**Recognised fair values on acquisition** In € 1,000	**Fair value adjustments** In € 1,000	**Acquisition carrying amount** In € 1,000
Cash and cash equivalents	1	-	1
Liabilities	-	-	-
Net identifiable assets acquired and liabilities assumed	**1**	**-**	**1**

Result on acquisition	**24-02-2020** In € 1,000
Balance of identifiable net assets and liabilities acquired	1
Consideration paid	-/- 1
Acquisition-related costs	-
Result on acquisition	**-**

15.1.4 Subsidiaries sold during the period

During the financial period the Fund sold no subsidiaries.

15.2 INVESTMENT PROPERTY

15.2.1 Analysis of investment property

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Owned investment property	75,355	76,432
Right-of-use assets	1,494	1,584
	76,849	**78,016**

15.2.2 Analysis of owned investment property

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Buildings (including underground)	69,842	70,236
Land plots	5,513	6,196
	75,355	**76,432**

15.2.3 Specification of owned investment property

Name of property	Address	31-12-2020 In € 1,000	31-12-2019 In € 1,000
In ownership of Arcona Capital RE Bohemia s.r.o. (Czech Republic)			
Palmovka	Na Žertvách 34, Prague	2,949	3,219
Karlin	Prvního Pluku 621/8a, Prague	5,921	5,910
VUP	Šujanovo náměsti 3, Brno	2,515	2,598
PV 10	Politických Vězňu 10, Prague	5,620	5,713
Subtotal		**17,005**	**17,440**
In ownership of Arcona Capital RE Slovakia s.r.o. (Slovakia)			
Záhradnicka	Záhradnícka 46, Bratislava	4,313	4,497
Letná	Letná 45, Košice	12,933	11,010
Vural	Alexandra Rudnaya 21, Žilina	4,720	4,554
Subtotal		**21,966**	**20,061**
In ownership of Arcona Capital Real Estate Poland Sp. z o.o. (Poland)			
Laubitza	Laubitza 8, Inowroclaw	1,950	2,138
Lecia Inowroclawia	800-lecia Inowroclawia 27, Inowroclaw	2,322	2,820
Krzemowa	Krzemowa 1, Gdansk	3,011	3,062
Plutona	Plutona 1, Glogow	1,695	1,658
Kalinkowa	Kalinkowa 82, Grudziadz	2,342	2,630
Wojska Polsiekgo	Wojska Polskiego 137, Piotrkow Trybunalski	3,339	3,553
Wolnosci	Wolnosci 6, Slupsk	1,347	1,397
Subtotal		**16,006**	**17,258**
In ownership of Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Grzymaly Siedleckiego	Grzymaly Siedleckiego 20, Bydgoszcz	1,639	1,611
Kardynala Wyszynskiego	Kardynala Wyszynskiego 107, Lodz	1,706	1,868
Legionow	Legionow 216, Torun	2,690	2,849
Subtotal		**6,035**	**6,328**
In ownership of Arcona Capital Poland B.V. Project 5 Sp.k. (Poland)			
Maris	Holdu Pruskiego 9 & 12 Malopolska 12, Szczecin	8,830	9,149
In ownership of Aisi Bela LLC (Ukraine)			
Balabino Project	Territory of Balabynska Village Council, Zaporizkyi District, Zaporizhzhia Region	676	861
In ownership of Boyana Residence E.O.O.D. (Bulgaria)			
Boyana	Gardova Glava, Boyana	4,837	5,335
		75,355	**76,432**

15.2.4 Statement of changes in owned investment property

	2020 In € 1,000	2019 In € 1,000
Balance as at 1 January	76,432	89,032
Acquisitions	-	6,165
Additions	719	512
Fair value adjustments	-/- 1,034	162
Exchange rate differences	-/- 762	213
Reclassification (to "Assets held for sale")	-	-/- 19,652
Balance as at 31 December	**75,355**	**76,432**

15.2.5 Valuation of owned investment property

All owned investment property is valued at fair value. The owned investment property, stated under section 15.2.3 "Specification of owned investment property", was valued by an external, independent appraiser as at Statement of Financial Position's date. The valuations are prepared for accounting purposes and are in accordance with relevant IFRS regulations. The fair values of the owned investment property are primarily derived using the "Hard-core and top-slice method".

15.2.6 Specification of right-of-use assets

Nature of right-of-use asset	Related to owned investment property	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Right-of-use by Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Land lease	Grzymaly Siedleckiego	212	256
Land lease	Kardynala Wyszynskiego	418	452
Land lease	Legionow	864	876
		1,494	**1,584**

15.2.7 Statement of changes in right-of-use assets

	2020 In € 1,000	2019 In € 1,000
Balance as at 1 January	1,584	n.a.
Effect of change accounting principles	-	1,669
Fair value adjustments	-/- 90	-/- 85
Balance as at 31 December	**1,494**	**1,584**

15.2.8 Valuation of right-of-use assets

The right-of-use assets, stated under section 15.2.6 "Specification of right-of-use assets", were not valued by an external, independent appraiser as at Statement of Financial Position's date. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, as well as foreign currency translation differences. The Managing Board is of the opinion the above method is the most appropriate approach to the valuation of right-of-use assets as required by IFRS 16.

15.2.9 Transactions with related parties

The property sale and purchase transactions executed during the financial period were not executed with parties affiliated with the Managing Board or the Fund.

15.2.10 Sensitivity analysis

The appraisal of the "Buildings including underground", hereinafter referred to as the Porfolio implies an average weighted Reversion Yield of 9.7% (December 31, 2019: 10.1%).

In case the yields used for the appraisals of the portfolio on Statement of Financial Position's date had been 50 basis points higher, the value of the portfolio would have decreased by 5.8% (December 31, 2019: 5.5%). In this situation, the group equity would have been € 3,890,000 lower (December 31, 2019: € 3.915,000 lower).

In case the yields used for the appraisals of the portfolio on Statement of Financial Position's date had been 50 basis points lower, the value of the portfolio would have increased by 6.5% (December 31, 2019: 2.2%). In this situation, the group equity would have been € 4,361,000 higher (December 31, 2019: € 1,599,000 higher). A sensitivity analysis with possible changes in Yield and Estimated Rental Value (ERV) results in the following changes in portfolio value:

Change in	Change in yield				
ERV 2020	**-/- 0.50%**	**-/- 0.25%**	**0.00%**	**0.25%**	**0.50%**
-/- 5.0%	2.0%	-/- 1.2%	-/- 4.2%	-/- 7.0%	-/- 9.7%
-/- 2.5%	4.3%	1.0%	-/- 2.1%	-/- 5.0%	-/- 7.8%
0.0%	6.5%	3.2%	0.0%	-/- 3.0%	-/- 5.8%
2.5%	8.8%	5.3%	2.1%	-/- 1.0%	-/- 3.9%
5.0%	11.0%	7.5%	4.2%	1.1%	-/- 1.9%

Change in	Change in yield				
ERV 2019	**-/- 0.50%**	**-/- 0.25%**	**0.00%**	**0.25%**	**0.50%**
-/- 5.0%	-/- 2.7%	-/- 4.6%	-/- 4.9%	-/- 8.3%	-/- 10.0%
-/- 2.5%	-/- 0.5%	-/- 2.5%	-/- 2.8%	-/- 6.2%	-/- 7.9%
0.0%	2.2%	0.2%	0.0%	-/- 3.8%	-/- 5.5%
2.5%	3.9%	1.8%	1.5%	-/- 2.1%	-/- 3.9%
5.0%	6.1%	4.0%	3.6%	0.0%	-/- 1.9%

The Estimated Rental Value (ERV) is the external appraisers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of an investment property.

15.3 INVESTMENT PROPERTY UNDER DEVELOPMENT

15.3.1 Specification of investment property under development

Name of property	Address	31-12-2020	31-12-2019
		In € 1,000	In € 1,000
In ownership of Aisi Bela LLC (Ukraine)			
Bela Logistic Park	Territory of Nerubaiske Village Council, Biliayivskyi District, Odesa Region	2,409	2,976

15.3.2 Statement of changes in investment property under development

	2020	2019
	In € 1,000	In € 1,000
Balance as at 1 January	2,976	n.a.
Acquisitions	-	3,016
Fair value adjustments	162	-/- 42
Exchange rate differences	-/- 729	2
Balance as at 31 December	**2,409**	**2,976**

15.3.3 Valuation of investment property under development

All investment property under development is valued at fair value. The investment property under development, stated under section 15.3.1 "Specification of investment property under development", was valued by an external, independent appraiser as at Statement of Financial Position's date. The valuation is prepared for accounting purposes and is in accordance with relevant IFRS regulations. The fair values of investment property under development are primarily derived using the "Market approach" based on comparable properties in the market.

15.4 OTHER INVESTMENTS

15.4.1 Specification of other investments

Name of other investment	Proportion of shares held by the group 31-12-2020	Proportion of shares held by the group 31-12-2019
	In %	In %
Yellow Properties, s.r.o., v likvidaci[8]	Liquidated	5.0

15.4.2 Analysis of other investments

	31-12-2020	31-12-2019
	In € 1,000	In € 1,000
Non-current part of other investments	-	-
Current part of other investments	-	4
	-	**4**

15.4.3 Statement of changes in other investments

	2020	2019
	In € 1,000	In € 1,000
Balance as at 1 January	4	5
Disposals	-/- 3	-
Fair value adjustments	-/- 1	-/- 1
Balance as at 31 December	**-**	**4**

On March 30, 2020 Yellow Properties, s.r.o. v likvidaci was deleted from the local commercial register, thus completing the liquidation process.

[8] V likvidaci: in liquidation.

15.5 DERIVATIVE FINANCIAL INSTRUMENTS

15.5.1 Specification of derivative financial instruments

	31-12-2020	31-12-2019
	In € 1,000	In € 1,000
Non-current part of derivative financial instruments	-	-
Current part of derivative financial instruments	-	13
	-	**13**

15.5.2 Specification of derivative financial instruments

	31-12-2020	31-12-2019
	In € 1,000	In € 1,000
Interest rate swaps used for hedging	-	13

15.6 RECOGNISED DEFERRED TAXES

15.6.1 Specification of recognised deferred taxes

	Recognised deferred tax assets In € 1,000	Recognised deferred tax liabilities In € 1,000	Total 2020 In € 1,000
Investment property	135	3,213	-/- 3,078
Receivables from shareholders and other group companies	-	28	-/- 28
Subtotal non-current investments	135	3,241	-/- 3,106
Tax losses (carried forward)	249	-	249
Trade and other receivables	10	6	4
Prepayments and lease incentives	-	23	-/- 23
Assets held for sale	-	1,162	-/- 1,162
Loans due to shareholders and other group companies	18	-	18
Derivative financial instruments	4	-	4
Trade and other payables	50	-	50
Deferred taxes before set-off	466	4,432	-/- 3,966
Set-off deferred taxes	-/- 289	-/- 289	-
	177	**4,143**	**-/- 3,966**

	Recognised deferred tax assets In € 1,000	Recognised deferred tax liabilities In € 1,000	Total 2019 In € 1,000
Investment property	295	2,970	-/- 2,675
Investment property under development	-	22	-/- 22
Receivables from shareholders and other group companies	-	47	-/- 47
Subtotal non-current investments	295	3,039	-/- 2,744
Tax losses (carried forward)	283	-	283
Trade and other receivables	20	13	7
Prepayments and lease incentives	25	31	-/- 6
Cash and cash equivalents	1	-	1
Assets held for sale	197	1,996	-/- 1,799
Tax liabilities	3	-	3
Secured bank loans	-	67	-/- 67
Loans due to shareholders and other group companies	-	84	-/- 84
Derivative financial instruments	11	2	9
Trade and other payables	68	-	68
Current liabilities due to shareholders and other group companies	12	-	12
Deferred taxes before set-off	915	5,232	-/- 4,317
Set-off deferred taxes	-/- 548	-/- 548	-
	367	**4,684**	**-/- 4,317**

15.6.2 Analysis of recognised deferred taxes

	2020 In € 1,000	2019 In € 1,000
Will expire	131	133
Will never expire	-/- 4,097	-/- 4,450
Balance as at 31 December	**-/- 3,966**	**-/- 4,317**

An allocation of the recognised deferred tax assets to the various geographic segments is presented in section 14.4.5 “Geographic overview of assets (overview C)”.

15.6.3 Analysis of recognised deferred tax assets concerning tax losses (carried forward)

	2020 In € 1,000	2019 In € 1,000
Expires in 2020	-	66
Expires in 2021	-	-
Expires in 2022	29	33
Expires in 2023	-	22
Expires in 2024	-	12
Expires in 2025	102	-
Subtotal will expire	131	133
Will never expire	118	150
Balance as at 31 December	**249**	**283**

Based on the forecast tax results the Managing Board expects (taking into account local tax law and regulations) that in the future there will be sufficient taxable profit to set-off these recognised tax losses.

15.6.4 Statement of changes in recognised deferred taxes

	2020 In € 1,000	2019 In € 1,000
Balance as at 1 January	-/- 4,317	-/- 4,370
Adjustments related to prior years	10	221
Additions as a result of acquisitions	-	224
Additions / withdrawals	272	-/- 386
Change in tax rate	76	-
Exchange rate differences	-/- 7	-/- 6
Balance as at 31 December	**-/- 3,966**	**-/- 4,317**

15.7 UNRECOGNISED DEFERRED TAXES

15.7.1 Specification of unrecognised deferred taxes

	Unrecognised deferred tax assets In € 1,000	**Unrecognised deferred tax liabilities** In € 1,000	**Total 2020** In € 1,000
Investment property	241	176	65
Investment property under development	153	-	153
Receivables from shareholders and other group companies	1	-	1
Tax losses (carried forward)	1,919	-	1,919
Inventories	42	-	42
Trade and other receivables	25	-	25
Prepayments and lease incentives	20	-	20
Secured bank loans	137	-	137
Loans due to shareholders and other group companies	126	-	126
Trade and other payables	11	-	11
Current liabilities due to shareholders and other group companies	98	-	98
	2,773	**176**	**2,597**

	Unrecognised deferred tax assets In € 1,000	**Unrecognised deferred tax liabilities** In € 1,000	**Total 2019** In € 1,000
Investment property	418	258	160
Investment property under development	214	-	214
Tax losses (carried forward)	1,406	-	1,406
Inventories	49	4	45
Trade and other receivables	60	-	60
Assets held for sale	20	-	20
Secured bank loans	144	-	144
Derivative financial instruments	3	-	3
Trade and other payables	1	-	1
Current liabilities due to shareholders and other group companies	177	-	177
	2,492	**262**	**2,230**

15.7.2 Analysis of unrecognised deferred taxes

	2020 In € 1,000	2019 In € 1,000
Will expire	1,558	954
Will never expire	1,039	1,276
Balance as at 31 December	**2,597**	**2,230**

15.7.3 Analysis of unrecognised deferred tax assets concerning tax losses (carried forward)

	2020 In € 1,000	2019 In € 1,000
Expires in 2020	-	30
Expires in 2021	5	5
Expires in 2022	136	148
Expires in 2023	95	52
Expires in 2024	48	32
Expires in 2025	649	394
Expires in 2026	467	155
Expires in 2027	158	138
Subtotal will expire	1,558	954
Will never expire	361	452
Balance as at 31 December	**1,919**	**1,406**

The Managing Board expects (taking into account local tax law and regulations) that in the future there will be insufficient taxable profit to set-off these unrecognised tax losses.

15.7.4 Statement of changes in unrecognised deferred taxes

	2020 In € 1,000	2019 In € 1,000
Balance as at 1 January	2,230	1,426
Adjustments related to prior years	122	3
Additions as a result of acquisitions	-	508
Additions / withdrawals	669	417
Change in tax rate	-/- 282	-/- 133
Exchange rate differences	-/- 142	9
Balance as at 31 December	**2,597**	**2,230**

15.8 TAX ASSETS

15.8.1 Specification of tax assets

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Non-current part of tax assets	-	23
Current part of tax assets	189	121
	189	**144**

15.8.2 Specification of tax assets

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Corporate Income Tax (CIT)	108	132
Value Added Tax (VAT)	81	12
	189	**144**

15.9 TRADE AND OTHER RECEIVABLES

15.9.1 Analysis of trade and other receivables

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Non-current part of trade and other receivables	-	2
Current part of trade and other receivables	822	633
	822	**635**

15.9.2 Specification of trade and other receivables

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Trade receivables	618	360
Receivables SPDI	-	194
Receivables Secure Management srl	114	-
Invoiceable amounts	33	31
Other trade and other receivables	57	50
	822	**635**

The “Receivables Secure Management srl” amounting to € 114,000 relates to compensation for the repayment of a tax credit incurred on the sale of the inventory apartment block 2-A at Boyana (Bulgaria). For further information see also section 15.31.2.

15.9.3 Analysis of trade receivables

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Trade receivables (gross)	1,343	1,201
Total expected credit losses for trade receivables	-/- 725	-/- 841
	618	**360**

15.9.4 Provision for doubtful trade receivables

The Fund always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The Fund has chosen to apply the “simplified model” for the calculation of the loss allowance for trade receivables. The “expected credit loss-rate” is based on historical information (chosen is a 5-year history), whereby the historical default loss percentage is adjusted for forecast information. The Fund presumed that all trade receivables are homogenous. Usually the Fund has recognised a loss allowance of 100% for collective assessed expected credit losses with regard to trade receivables over one year past due (after reduction of recoverable Value Added Tax), because historical experience has indicated that these trade receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Fund writes-off on a trade receivable when there is information indicating the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

15.9.5 Risk profile of trade receivables

The following table details the risk profile of trade receivables based on the Fund's provision matrix.

	Trade receivables as at December 31, 2020				
	Up to 1 month past due In € 1,000	**1 to 3 months past due** In € 1,000	**3 months to 1 year past due** In € 1,000	**More than 1 year past due** In € 1,000	**Total** In € 1,000
Expected credit loss rate	3.2%	11.3%	28.3%	91.2%	
Trade receivables (gross)	260	110	136	837	1,343
Collective assessed expected credit losses	-/- 8	-/- 13	-/- 39	-/- 761	-/- 821
Individually assessed expected credit losses					96
Trade receivables (net)					**618**

	Trade receivables as at December 31, 2019				
	Until 1 month past due In € 1,000	**1 until 3 months past due** In € 1,000	**3 months until 1 year past due** In € 1,000	**More than 1 year past due** In € 1,000	**Total** In € 1,000
Expected credit loss rate	2.0%	7.6%	26.6%	68.4%	
Trade receivables (gross)	165	41	181	814	1,201
Collective assessed expected credit losses	-/- 4	-/- 3	-/- 48	-/- 557	-/- 612
Individually assessed expected credit losses					-/- 229
Trade receivables (net)					**360**

Usually the Fund has recognised a loss allowance of 100% for collective assessed expected credit losses with regard to trade receivables over one year past due (after reduction of recoverable Value Added Tax), because historical experience has indicated that these trade receivables are generally not recoverable. For some individual assessed expected credit losses a lower loss rate is applicable (see section 15.9.7). Therefore the individual expected credit losses 2020 represents a gain.

For further information about the risk profile of trade receivables see section 15.42.9.

15.9.6 Movement in lifetime expected credit losses for trade receivables

The following table shows the movement in lifetime expected credit losses that has been recognised for trade and other receivables in accordance with the "simplified approach" set out in IFRS 9.

	2020		
	Collective assessed expected credit losses In € 1,000	**Individually assessed expected credit losses** In € 1,000	**Total expected credit losses** In € 1,000
Balance as at 1 January	612	229	841
Amounts written-off	-/- 76	-	-/- 76
Amounts recovered	-/- 39	-	-/- 39
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	330	-/- 325	5
Exchange rate differences	-/- 6	-	-/- 6
Balance as at 31 December	**821**	**-/- 96**	**725**

	2019		
	Collective assessed expected credit losses In € 1,000	**Individually assessed expected credit losses** In € 1,000	**Total expected credit losses** In € 1,000
Balance as at 1 January	555	158	713
Additions as a result of acquisitions	23	-	23
Amounts written-off	-/- 109	-	-/- 109
Amounts recovered	-/- 79	-	-/- 79
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	220	71	291
Exchange rate differences	2	-	2
Balance as at 31 December	**612**	**229**	**841**

15.9.7 Individually assessed expected credit losses for trade receivables

The individually assessed expected credit losses for trade receivables for € 96,000 negative all concern the debtor Piotr & Pawel (PiP). In the recent past Piotr & Pawel was in administration. On 4th March 2021 the Polish courts confirmed the settlement agreed on the administration procedure of PiP as final and binding. Arcona received on 6th April 2021 the following basic obligation payments and penalty interest:

Entity	**Basic obligations**	**Penalty Interests**	**Total**
	In € 1,000	In € 1,000	In € 1,000
Arcona Capital Real Estate Poland Sp. z o.o.	72,193	1,974	74,166
Arcona Capital Real Estate Trio Sp. z o.o.	10,908	890	11,798
Total	**83,101**	**2,864**	**85,965**

Based on the settlement the Managing Board used an individually assessed expected credit loss rate of:

a. 0% for outstanding amounts until one year past due;
b. 70% for outstanding amounts at Arcona Capital Real Estate Poland Sp. z o.o. after 1 year past due;
c. 90% for outstanding amounts at Arcona Capital Real Estate Trio Sp. z o.o. after 1 year past due.

As at Statement of Financial Position's date the gross outstanding trade receivables (VAT inclusive) from Piotr & Pawel amount to € 487,000 (December 31, 2019: € 415,000).

Based on the above the Managing Board is of the opinion the individually assessed expected credit losses concerning Piotr & Pawel are sufficient.

15.10 PREPAYMENTS AND LEASE INCENTIVES

15.10.1 Analysis of prepayments and lease incentives

	31-12-2020	31-12-2019
	In € 1,000	In € 1,000
Non-current part of prepayments and lease incentives	229	237
Current part of prepayments and lease incentives	546	752
	775	**989**

15.10.2 Specification of prepayments and lease incentives

	31-12-2020	31-12-2019
	In € 1,000	In € 1,000
Deferred expenses	245	297
Prepayments	211	418
Lease incentives	319	274
	775	**989**

15.11 CASH AND CASH EQUIVALENTS

15.11.1 Analysis of cash and cash equivalents

	31-12-2020	31-12-2019
	In € 1,000	In € 1,000
Non-current part of cash and cash equivalents	250	300
Current part of cash and cash equivalents	1,272	2,446
	1,522	**2,746**

The "Cash and cash equivalents" are at the free disposal of the Fund, with the exception of € 538,000 (December 31, 2019: € 1,075,000), which amount is retained on reserve accounts (e.g. "Security Deposit Account", "Repair Reserve Account", "Debt Service Account" and "CAPEX Account").

15.11.2 Specification of cash and cash equivalents

	31-12-2020	31-12-2019
	In € 1,000	In € 1,000
Bank balances	1,235	2,442
Deposits	285	301
Cash	2	3
	1,522	**2,746**

15.12 INVENTORIES

15.12.1 Analysis of inventories

Name of inventory	Address	Quantity 31-12-2020	Carrying amount 31-12-2020 In € 1,000	Quantity 31-12-2019	Carrying amount 31-12-2019 In € 1,000
In ownership of Boyana Residence E.O.O.D. (Bulgaria)					
Apartment 1-D	Residential Complex Gardova Glava, Boyana	13	367	13	367
Apartment 2-A	Residential Complex Gardova Glava, Boyana	Sold	Sold	28	927
Apartment 3-C	Residential Complex Gardova Glava, Boyana	16	426	16	426
Apartment 7-D	Residential Complex Gardova Glava, Boyana	11	305	11	305
Apartment 8-E	Residential Complex Gardova Glava, Boyana	11	482	11	482
Parking places	Residential Complex Gardova Glava, Boyana	62	238	77	316
			1,818		**2,823**

15.12.2 Statement of changes in inventories

	2020	2019
	In € 1,000	In € 1,000
Balance as at 1 January	2,823	n.a.
Acquisitions	-	2,823
Impairments	-/- 17	-
Disposals	-/- 988	-
Balance as at 31 December	**1,818**	**2,823**

The fair value of the inventories as at Statement of Financial Position's date is € 1,828,000 (December 31, 2019: € 2,846,000).

15.13 ASSETS HELD FOR SALE

15.13.1 Analysis of assets held for sale

	31-12-2020	31-12-2019
	In € 1,000	In € 1,000
Owned investment property held for sale	9,861	18,785

15.13.2 Analysis of owned investment property held for sale

Name of property	Address	31-12-2020	31-12-2019
		In € 1,000	In € 1,000
In ownership of Arcona Capital RE Slovakia s.r.o. (Slovakia)			
Pražská 2	Pražská 2, Košice	2,593	2,799
Pražská 4	Pražská 4, Košice	2,505	2,506
Krivá 18	Krivá 18, Košice	Sold	2,914
Krivá 23	Krivá 23, Košice	Sold	3,359
Kosmalt	Kysucká 16, Košice	4,763	6,032
Subtotal		**9,861**	**17,610**
In ownership of Arcona Capital Real Estate Poland Sp. z o.o. (Poland)			
Graniczna	Graniczna 80-82, Kalisz	Sold	1,175
		9,861	**18,785**

The Fund had recognised the 5 properties shown above in ownership of Arcona Capital RE Slovakia s.r.o. as "Owned investment property held for sale". Two properties (Krivá 18 and Krivá 23) are sold during 2020. The Fund is currently negotiating with a number of parties who are interested in the Kosmalt building.

Graniczna was sold as at March 30, 2020 for an amount of PLN 4,357,000 (€ 975,000).
Krivá 18 was sold as at October 13, 2020 for an amount of € 2,650,000.
Krivá 23 was sold as at October 13, 2020 for an amount of € 3,200,000.

15.13.3 Statement of changes in owned investment property held for sale

	31-12-2020	31-12-2019
	In € 1,000	In € 1,000
Balance as at 1 January	18,785	n.a.
Reclassification (from "Owned investment property")	-	19,652
Additions	10	73
Fair value adjustments	-/- 2,109	-/- 940
Disposals	-/- 6,825	-
Balance as at 31 December	**9,861**	**18,785**

15.13.4 Valuation of owned investment property held for sale

All owned investment property held for sale is valued at fair value, without deduction of costs of sale. The owned investment property held for sale, stated under section 15.13.2 "Analysis of owned investment property held for sale", was valued by an external, independent appraiser as at 31 December 2020. The valuations have been prepared for accounting purposes and are in accordance with relevant IFRS regulations. The market values of the owned investment property held for sale are primarily derived using the "hard-core and top-slice method".

15.14 GROUP EQUITY

15.14.1 Comparative statement

	31-12-2020	31-12-2019	31-12-2018	31-12-2017	31-12-2016
	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Group equity	**42,954**	**48,000**	**40,911**	**42,036**	**36,452**
Number of ordinary shares in issue	3,731,692	3,731,692	3,138,158	3,138,158	3,138,158
Number of registered shares in issue	26,991	26,991	26,991	26,991	26,991
Total number of shares in issue entitled to profit	**3,758,683**	**3,758,683**	**3,165,149**	**3,165,149**	**3,165,149**
Net Asset Value per ordinary and registered share (in €)	**11.43**	**12.77**	**12.93**	**13.28**	**11.52**

15.14.2 "Closed-end" structure

The Fund operates as a closed-end investment company. Ordinary shares can be traded continuously through:

- Euronext Fund Services (EFS) in Amsterdam (The Netherlands); and
- Prague Stock Exchange (PSE) in Prague (Czech Republic).

The registered shares are currently restricted from trading on EFS and / or PSE.

15.14.3 Capital management

All issued ordinary and registered shares are part of the Fund's capital management responsibilities. The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Fund reserves the right to declare dividends or make distributions if the Managing Board so decides.

15.14.4 Equity components

For further analysis and statements of changes in the various equity components see section 19.8.1 "Statement of changes in shareholders' equity".

15.15 TAX LIABILITIES

15.15.1 Specification of tax liabilities

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Non-current part of tax liabilities	-	-
Current part of tax liabilities	620	326
	620	**326**

15.15.2 Analysis of tax liabilities

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Property tax	95	136
Value Added Tax (VAT)	119	85
Corporate Income Tax (CIT)	390	83
Withholding Tax (WHT)	16	22
	620	**326**

15.16 LOANS AND BORROWINGS

15.16.1 Analysis of loans and borrowings

	Non-current liabilities 31-12-2020 In € 1,000	Current liabilities 31-12-2020 In € 1,000	Total 31-12-2020 In € 1,000
Secured bank loans	16,608	16,770	33,378
Convertible bonds	-	3,472	3,472
Lease liabilities	1,234	176	1,410
Other loans and borrowings	-	5,071	5,071
	17,842	**25,489**	**43,331**

	Non-current liabilities 31-12-2019 In € 1,000	Current liabilities 31-12-2019 In € 1,000	Total 31-12-2019 In € 1,000
Secured bank loans	28,148	9,900	38,048
Convertible bonds	3,441	-	3,441
Lease liabilities	1,429	171	1,600
Other loans and borrowings	-	7,538	7,538
	33,018	**17,609**	**50,627**

15.16.2 Statement of changes in secured bank loans

	2020	2019
	In € 1,000	In € 1,000
Balance as at 1 January	38,048	33,671
Additions as a result of acquisitions	530	2,258
Loans advanced	377	22,019
Redemptions	-/- 5,360	-/- 20,037
(Amortisation) flat fee	56	35
Exchange rate differences	-/- 273	102
Balance as at 31 December	**33,378**	**38,048**

The "Additions as a result of acquisitions" for the amount of € 530,000 relates to the subsidiary Boyana Residence E.O.O.D. acquired during December 2019. As at December 31, 2019 this amount was part of "Secured bank loan Alpha Bank to be taken over" (classified as "Trade and other payables"). On July 29, 2020 Arcona Capital Real Estate Bulgaria Ltd. formally took over the secured bank loan.

15.16.3 Analysis of secured bank loans

Name of company	Name of credit institution	Date of maturity	Weighted average interest rate 31-12-2020	Face value 31-12-2020	Carrying amount 31-12-2020
			In %	In € 1,000	In € 1,000
Arcona Capital RE Bohemia s.r.o.	Sberbank	31-03-2024	2.14	8,372	8,362
Arcona Capital RE Slovakia s.r.o.	Slovenská Sporiteľňa	30-09-2024	2.45	9,356	9,344
Arcona Capital Real Estate Poland Sp. z o.o.	BNP Paribas Polska Bank	30-11-2021	3.25	7,857	7,823
Arcona Poland B.V. Project 5 Sp.k.	DNB Nordbank	30-11-2020	3.51	5,538	5,538
Boyana Residence E.O.O.D.	Alpha Bank	30-06-2021	4.75	1,781	1,781
Arcona Capital Real Estate Bulgaria Ltd.	Alpha Bank	30-06-2021	4.75	530	530
				33,434	**33,378**

On January 8, 2021 the Fund agreed with DNB Nordbank they would not take action to enforce repayment before March 31, 2021 in order to give the Fund time to finalize the refinancing process. On March 31, 2021 the Fund refinanced this loan, together with the BNP Paribas Polska Bank loan, with a loan from Hypo Noe Bank.

Name of company	Name of credit institution	Date of maturity	Weighted average interest rate 31-12-2019	Face value 31-12-2019	Carrying amount 31-12-2019
			In %	In € 1,000	In € 1,000
Arcona Capital RE Bohemia s.r.o.	Sberbank	31-03-2024	3.96	8,610	8,598
Arcona Capital RE Slovakia s.r.o.	Slovenská Sporiteľňa	30-09-2024	2.45	13,017	12,988
Arcona Capital Real Estate Poland Sp. z o.o.	BNP Paribas Polska Bank	30-11-2021	3.25	8,274	8,206
Arcona Poland B.V. Project 5 Sp.k.	DNB Nordbank	29-05-2020	3.60	6,000	5,998
Boyana Residence E.O.O.D.	Alpha Bank	31-03-2019	5.75	2,258	2,258
				38,159	**38,048**

15.16.4 Securities, bank covenants and ratios secured bank loans

As at Statement of Financial Position's date the following securities were provided and bank covenants agreed with regard to the secured bank loans. The ratios, as well as the withdrawable facilities as at Statement of Financial Position's date are also mentioned.

	Sberbank	Slovenská Sporiteľňa	BNP Paribas	DNB Nordbank	Alpha Bank
Carrying amounts securities:					
• Owned investment property (in € 1,000)	17,005	21,966	16,006	8,830	4,837
• Inventories (in € 1,000)	-	-	-	-	1,818
• Assets held for sale (in € 1,000)	-	9,861	-	-	-
• Trade and other receivables (in € 1,000)	37	178	233	15	-
• Cash and cash equivalents (in € 1,000)	401	367	467	16	3
Bank covenants:					
• Debt Service Coverage Ratio (DSCR) (minimum)	1.15	1.25	1.20	1.10	n.a.
• EBITDA / annual instalments of bank or other loans	n.a.	n.a.	n.a.	n.a.	n.a.
• Debt Service Reserve Account (DSRA) (in € 1,000)	n.a.	250	n.a.	n.a.	n.a.
• Capital expenditure (CAPEX) (in € 1,000)	n.a.	250	n.a.	n.a.	n.a.
• EBITDA (in € 1,000)	n.a.	1,250	n.a.	n.a.	n.a.
• Loan to value	70.0%	45.0%	65.0%	75.0%	n.a.
• Negative equity borrower	n.a.	n.a.	None	n.a.	n.a.
• Issued shares borrower pledged	Yes	No	Yes	No	Yes
Ratios:					
Debt Service Coverage Ratio (DSCR)	1.26	1.42	1.21	1.10	n.a.
Loan to value (LTV)	49.23%	29.40%	49.08%	62,72%	26.76%
Withdrawable credit facilities:					
Maximum credit facilities	8,372	9,606	7,857	5,538	2,311
Outstanding amount	8,372	9,356	7,857	5,538	2,311
Withdrawable credit facilities	-	250	-	-	-

For further information on pledged issued shares of the borrower see section 19.1.3.

As at Statement of Financial Position's date, the Fund's financing covenants remain in line with the commitments in its facility agreements.

15.16.5 Analysis of convertible bonds

Date of issue	Convertible as of	Date of maturity	Nominal interest rate	Interest rate used[9]	Conversion price	Face value	Carrying amount 31-12-2020	Carrying amount 31-12-2019
			In %	In %	In €	In € 1,000	In € 1,000	In € 1,000
17-10-2016	01-11-2016	31-10-2021	6.50	7.50	8.76	3,500	3,472	3,441

15.16.6 Statement of changes in convertible bonds

	2020	2019
	In € 1,000	In € 1,000
Balance as at 1 January	3,441	4,468
Redemptions	-	-/- 1,070
Accrued interest	31	43
Balance as at 31 December	**3,472**	**3,441**

15.16.7 Statement of changes in lease liabilities

	2020	2019
	In € 1,000	In € 1,000
Balance as at 1 January	1,600	n.a.
Effect of change in accounting principles	-	1,669
Redemptions	-/- 178	-/- 185
Accrued interest	92	100
Exchange rate differences	-/- 104	16
Balance as at 31 December	**1,410**	**1,600**

15.16.8 Analysis of lease liabilities

Nature of lease liability	Related to property	31-12-2020	31-12-2019
		In € 1,000	In € 1,000
Lease liability by Arcona Capital Real Estate Trio Sp. z o.o. (Poland)			
Land lease	Grzymaly Siedleckiego	200	259
Land lease	Kardynala Wyszynskiego	394	456
Land lease	Legionow	816	885
		1,410	**1,600**

15.16.9 Maturity analysis contractual undiscounted cash flows of lease liabilities

	31-12-2020	31-12-2019
	In € 1,000	In € 1,000
Less than 1 year	175	188
1 to 5 years	648	750
More than 5 years	1,605	1,850
	2,428	**2,788**

[9] The interest rate used is based on the estimated interest rate to be paid on comparable non-convertible bonds.

15.16.10 Analysis of other loans and borrowings

	Face value 31-12-2020 In € 1,000	Carrying amount 31-12-2020 In € 1,000	Carrying amount 31-12-2019 In € 1,000
Secured vendor loan Real Estate Central Europe AS	1,910	1,873	4,210
Unsecured vendor loan Secure Property Development & Investment plc	639	639	750
Unsecured loan Almaz-Press-Ukraine LLC	59	59	78
Unsecured loans from other third parties	2,500	2,500	2,500
	5,108	**5,071**	**7,538**

15.16.11 Statement of changes in other loans and borrowings

	2020 In € 1,000	2019 In € 1,000
Balance as at 1 January	7,538	6,710
Additions as a result of acquisitions	-	78
Loans advanced	-	3,250
Redemptions	-/- 2,411	-/- 2,500
(Amortisation) flat fee	-/- 37	-
Exchange rate differences	-/- 19	-
Balance as at 31 December	**5,071**	**7,538**

15.16.12 Conditions of other loans and borrowings

As at Statement of Financial Position's date the following conditions are applicable to the other loans and borrowings:

- secured vendor loan Real Estate Central Europe AS: a weighted average interest rate of 15% is applicable. The issued capital of Arcona Real Estate Trio Sp. z o.o. is pledged;
- unsecured vendor loan Secure Property Development & Investment plc: a weighted average interest rate of 10% is applicable. There are no securities given;
- unsecured loan Almaz-Press-Ukraine LLC: a weighted average interest rate of 0% is applicable. There are no securities given.
- unsecured loan from other third parties (one): a weighted average interest rate of 10% is applicable. Arcona Capital Real Estate Trio Sp. z o.o. shall grant security by way of third party security for the obligations of the Fund under any Finance Document to the lender promptly upon request (in form and substance to the lender) over any receivables of Arcona Capital Real Estate Trio Sp. z o.o.;
- unsecured loan from other third parties (two): a weighted average interest rate of 11% is applicable. There are no securities given.

15.17 DERIVATIVE FINANCIAL INSTRUMENTS

15.17.1 Specification of derivative financial instruments

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Non-current part of derivative financial instruments	118	33
Current part of derivative financial instruments	134	40
	252	**73**

15.17.2 Specification of derivative financial instruments

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Interest rate swaps used for hedging	252	73

15.18 TRADE AND OTHER PAYABLES

15.18.1 Analysis of trade and other payables

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Non-current part of trade and other payables	-	-
Current part of trade and other payables	2,658	3,044
	2,658	**3,044**

15.18.2 Specification of trade and other payables

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Trade payables	699	522
Accruals	694	636
Administrative expenses	1,014	595
Interest payables	148	140
Interest payables Alpha Bank	97	376
Secured bank loan Alpha Bank to be taken over	-	666
Interest payables secured bank loan Alpha Bank to be taken over	-	109
Other trade and other payables	6	-
	2,658	**3,044**

The "Secured bank loan Alpha Bank to be taken over" and "Interest payables secured bank loan Alpha Bank to be taken over" relates to the subsidiary Boyana Residence E.O.O.D. acquired during December 2019. On July 29, 2020 Arcona Capital Real Estate Bulgaria Ltd. formally took over the secured bank loan Alpha Bank, including accrued interest (see also section 15.16.2).

15.18.3 Specification of administrative expenses

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Fund management fee	1,014	595
Performance-related remuneration	-	-
	1,014	**595**

15.19 DEFERRED INCOME AND TENANT DEPOSITS

15.19.1 Analysis of deferred income and tenant deposits

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Non-current part of deferred income and tenant deposits	314	397
Current part of deferred income and tenant deposits	150	347
	464	**744**

15.19.2 Specification of deferred income and tenant deposits

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Deposits received from tenants	462	544
Advance payments received from tenants	2	-
Advance payments sale of inventories	-	200
	464	**744**

15.20 DEFERRED TAX LIABILITIES

For the specification and analysis of the (un)recognised deferred tax liabilities see sections 15.6.1 to 15.6.4.

15.21 CONTINGENT ASSETS

As at Statement of Financial Position's date the Fund has the following contingent assets which are not included in the Statement of Financial Position:

A. The Fund has a contingent asset for the amount of € 83,000 towards Secure Property Development & Investment plc (SPDI), less any amount waived by Alpha Bank on the accrued penalty interest as at December 31, 2020.

The position cannot result to an additional receivable, because this position has already been included in both debit and credit on the balance sheet. The receivable is included in the balance sheet as debt for accrued penalty interest. This penalty interest may be waived by the bank, but this is uncertain. This debt is therefore included in the balance sheet. The only conditional thing is the expiration (SPDI or Alpha Bank bears the burden), but it is certain that this will not lead to additional income or costs for the fund.

As at Statement of Financial Position's date the Fund held no further contingent assets which are not included in the Statement of Financial Position, except the unrecognised deferred tax assets.

15.22 NON-CONTINGENT ASSETS

As at Statement of Financial Position's date the Fund held no non-contingent assets other than already recognised in the Statement of Financial Position.

15.23 NON-CONTINGENT LIABILITIES

As at Statement of Financial Position's date the Fund has the following non-contingent liabilities which are not included in the Statement of Financial Position:

B. Arcona Capital RE Slovakia s.r.o. has a non-contingent liability for the amount of € 319,000 with regard to repair and maintenance;

C. Boyana Residence E.O.O.D. has a non-contingent liability to fulfill the necessary maintenance and improvement works of the real estate mortgaged in favor of Alpha Bank to enhance the sales. The necessary investment is estimated at € 150,000.

As at Statement of Financial Position's date the Fund was not subject to any further contractual obligations concerning for example investments, repairs, maintenance or other non-contingent liabilities that require settlement in a future financial period.

15.24 CONTINGENT LIABILITIES

As at Statement of Financial Position's date the Fund has the following contingent liabilities which are not included in the Statement of Financial Position:

A. Arcona Capital RE Bohemia s.r.o. has a contingent liability for the amount of CZK 5,437,000 (€ 207,000) towards the buyer of the investment property Štefánikova with regard to rent received in advance by Arcona Capital RE Bohemia s.r.o. for usage of the parking places (free of payment) by the lessee of Štefánikova. Based on the agreement (2012) the buyer of Štefánikova will pay the taxes with regard to this rent;

B. The Fund has a contingent liability towards the sellers of RECE Progress Sp. z o.o. (currently named: Arcona Capital Real Estate Trio Sp. z o.o.) for the maximum amount of € 1,500,000 (the "shares' purchase price increase").

The "shares' purchase price increase" applies if:

- Arcona Capital Real Estate Poland Sp. z o.o. refinances the secured bank loan BNP Paribas Polska Bank by December, 12 2022; or
- the Fund sells any of the 11 owned properties obtained through Arcona Capital Real Estate Poland Sp. z o.o. and Arcona Capital Real Estate Trio Sp. z o.o. (the acquisition of the 11 properties hereinafter mentioned as: ("RECE")); or
- the Fund sells any part of the shares of Arcona Real Estate Trio Sp. z o.o. by December, 12 2022.

The shares' purchase price will be increased:

- by the amount equal to 50% of the positive difference between (I) the net proceeds gained from the loan amount utilized to the Fund under the refinancing documents (net of any fees paid to the refinancing bank, legal costs, valuation costs, breakage costs to existing bank etc.), and (II) the outstanding amount of the secured bank loan; or
- on the event of the sale of the owned properties obtained through "RECE" or shares of Arcona Capital Real Estate Trio Sp. z o.o. the difference between (I) the net proceeds gained from the sale of any of the owned properties obtained through "RECE" or shares of Arcona Capital Real Estate Trio Sp. z o.o., and (II) the relevant part of the net consideration.

In the event of refinancing referred to above, the "shares' purchase price increase" shall take effect automatically on the date the refinanced amount is utilized to the Fund ("refinancing date").
In the event of the sale referred to above, the "shares' purchase price increase" will take place on the earlier of:

- on the day of the sale of the last of the owned properties obtained through "RECE" or the last of the shares of Arcona Capital Real Estate Trio Sp. z o.o.; or
- by December 12, 2022 ("sale settlement date").

The payment of the relevant “shares’ purchase price increase” shall be made within 14 business days from the “refinancing date” or the “sale settlement date”;

On March 31, 2021 the RECE Progress Sp. z o.o. loan was refinanced by the CVI loan, hence the contingent liability has been cancelled (see events after balance sheet date).

C. The Fund has a contingent liability to issue ordinary shares against an exercise price as mentioned below as a result of the outstanding warrants. The conditions are as follows:

Holder	Number of warrants	Date of issue	Expiration date	Required share price In €	Exercise price In €
SPDI	67,063	01-11-2020	01-11-2024	8.10	0.00
SPDI	77,201	05-12-2020	01-11-2024	8.10	0.00

The exercise date of the outstanding warrants is the trading day immediately following the 10th trading day on which the shares have traded on a regulated market (or system comparable to a regulated market) and for which the volume-weighted average price of a share was € 8.10 or higher (the “required share price”), provided that this warrant may not be exercised within a 12 months period following the issue date, unless a prospectus approved by the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, the **AFM**) with respect to the warrants and / or the warrant shares is published by the Fund.

In case the conditions are met the warrant shares will be issued against an exercise price of € 0.00. The fair value of the warrants is nil. In case the conditions are met the warrant shares will be charged from the share premium or other freely distributable reserve to the issued capital.

The statement of changes in warrants is as follows:

	2020 In pieces	2019 In pieces
Balance as at 1 January	144,264	n.a.
Granted during the financial period	-	144,264
Forfeited during the financial period	-	-
Expired during the financial period	-	-
Balance as at 31 December	**144,264**	**144,264**
Exercisable as at 31 December	**-**	**-**

D. The Fund has a contingent liability for an amount of € 180,000 towards BNP Paribas Polska Bank. There is an obligation to refill the current Debt Service Reserve Account of € 300,000 (if drawn down by the bank) in its entirety plus € 180,000, so the total amount of the guarantee from the Fund is € 480,000.

As at Statement of Financial Position’s date the Fund was not subject to any further contingent liabilities, including any obligations that result from security transactions related to (exchange) rate risk in connection with investments.

On March 31, 2021 the BNP Paribas Polska Bank loan was refinanced by the Hypo Noe Bank loan, hence the contingent liability has been cancelled (see events after balance sheet date).

15.25 GROSS RENTAL INCOME

15.25.1 General

The group leases out its investment property. The group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. All gross rental income can be classified as operating lease income, with the exception of amortisation of lease incentives.

During the financial period, as well as during the previous financial period no contingent rental income was accounted for as income in the Income Statement. Leases for a determined time are normally indexed yearly with annual inflation stated by the relevant national Central Banks. New leases for a determined time are normally signed for a term of five years. All these lease contracts normally include at least a three-month deposit.

15.25.2 Analysis of gross rental income

	2020 In € 1,000	2019 In € 1,000
Gross rental income collected / accrued	8,233	8,899
Amortisation lease incentives	-/- 150	-/- 24
	8,083	**8,875**

15.25.3 Analysis of gross rental income collected / accrued

	2020 In € 1,000	2019 In € 1,000
Fixed lease payments	8,083	8,899
Variable lease payments	-	-
	8,083	**8,899**

15.25.4 Weighted average percentage of the vacant space

Weighted to the fair value, the weighted average percentage of the vacant space as at Statement of Financial Position's date is as follows:

	31-12-2020 In %	31-12-2019 In %
Buildings (including underground)	11.6	15.6
Land plots	100.0	100.0
Investment property under development	100.0	100.0
Inventories	100.0	100.0
Buildings (including underground) held for sale	36.1	34.9

Weighted to the fair value, the weighted average percentage of the vacant space during the financial period is as follows:

	2020 In %	2019 In %
Buildings (including underground)	12.2	9.3
Land plots	100.0	100.0
Investment property under development	100.0	100.0
Inventories	100.0	100.0
Buildings (including underground) held for sale	41.8	31.7

15.25.5 Non-cancellable leases

The gross rental income receivable on account of non-cancellable leases related to owned investment property, investment property under development and inventories as at Statement of Financial Position's date is as follows (the future minimum gross rental income receivable in foreign currency has been translated at the average exchange rate used for the Consolidated Income Statement for the financial period):

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Less than one year	6,093	6,304
One to two years	4,536	4,463
Two to three years	3,942	3,789
Three to four years	2,815	2,770
Four to five years	1,234	1,485
More than five years	2,434	1,514
	21,054	**20,325**

15.26 REBILLED AND NON-REBILLED SERVICE CHARGES AND PROPERTY OPERATING EXPENSES

15.26.1 General

As the Fund invoices service charges independently (or as principal) to the lessees on the basis of the leases entered into, such reimbursed service charges are shown separately in the Income Statement. The work associated with the service charges is carried out either by the Fund, or by third parties on a contract basis. Contracts for the performance of service work are normally entered into for a maximum period of six months. In addition, service charge expenses also include charges related to vacant units and / or other irrecoverable service charges due to contractual limits or insolvent tenants.

15.26.2 Analysis of property operating expenses

	2020 In € 1,000	2019 In € 1,000
Property management	567	569
Asset management	742	658
Maintenance expenses in respect of investment properties	666	809
Taxes on investment properties and inventories	513	352
Commission fees	81	114
Insurance premiums	42	41
Other property operating expenses	21	4
	2,632	**2,547**

15.26.3 Allocation of service charges and property operating expenses

The determination of costs from non-rented investment properties is based on investment properties and inventory that had an average vacancy of more than 10% during the financial period. The allocation of service charges and direct operating expenses to the investment properties and inventory, whether or not rent-generating, is as follows:

	2020 In € 1,000	2019 In € 1,000
For investment properties and inventories let	5,106	5,126
For investment properties and inventories not let	808	713
	5,914	**5,839**

15.26.4 Non-cancellable operating leases (not in scope of IFRS 16)

Non-cancellable operating leases of investment properties and inventories as at 31 December of the relevant financial period, which are not in scope of IFRS 16 are shown as follows (the future non-cancellable operating leases in foreign currency have been translated at the average exchange rate used for the Consolidated Income Statement for the financial period):

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Less than 1 year	-	-
1 to 5 years	-	-
More than 5 years	-	-
	-	**-**

15.27 VALUATION RESULTS OF PROPERTIES

15.27.1 Analysis of valuation results of properties

	2020 In € 1,000	2019 In € 1,000
Owned investment property	-/- 1,034	162
Right-of-use assets	-/- 90	-/- 85
Owned investment property held for sale	-/- 976	-/- 940
	-/- 2,100	**-/- 863**

15.27.2 Specification of valuation results of properties

	2020 In € 1,000	2019 In € 1,000
Unrealised value adjustments booked in current year	-/- 2,601	-/- 863
Unrealised value adjustments booked in prior years	501	-
	-/- 2,100	**-/- 863**

15.28 RESULTS ON DISPOSALS OF PROPERTIES

15.28.1 Analysis of results on disposals of properties

	2020 In € 1,000	2019 In € 1,000
Owned investment property held for sale	-/- 1,313	-

15.28.2 Specification of results on disposals of properties (per building)

	2020 In € 1,000	2019 In € 1,000
Graniczna, Kalisz (Poland)	-/- 1,253	-
Krivá 18, Košice (Slovakia)	-/- 245	-
Krivá 23, Košice (Slovakia)	185	-
	-/- 1,313	**-**

15.28.3 Specification of results on disposals of properties

	2020 In € 1,000	2019 In € 1,000
Realised value adjustments	-/- 1,133	-
Transaction costs on sale of properties	-/- 176	-
Consultancy fees and legal fees	-/- 4	-
	-/- 180	-
	-/- 1,313	**-**

15.29 VALUATION RESULTS OF INVESTMENT PROPERTY UNDER DEVELOPMENT

	2020 In € 1,000	2019 In € 1,000
Unrealised value adjustments booked in current year	162	-/- 42
Unrealised value adjustments booked in prior years	-	-
	162	**-/- 42**

15.30 NET RESULTS ON PROPERTIES

	2020 In € 1,000	2019 In € 1,000
Valuation gains	2,397	1,615
Valuation losses	-/- 5,468	-/- 2,520
	-/- 3,071	-/- 905
Costs on sale of properties	-/- 180	-
	-/- 3,251	**-/- 905**

15.31 RESULTS ON DISPOSALS OF INVENTORIES

15.31.1 Analysis of results on disposals of inventories

	2020 In € 1,000	2019 In € 1,000
Apartment Block 2-A, Gardova Glava, Boyana (Bulgaria)	-/- 25	-
15 parking places, Gardova Glava, Boyana (Bulgaria)	2	-
	-/- 23	**-**

15.31.2 Analysis of results on disposals of inventories

	2020 In € 1,000	2019 In € 1,000
Realised value adjustments	11	-
Adjustment refund of Value Added Tax	-/- 114	-
Transaction costs	-/- 30	-
Consultancy fees and legal fees	-/- 4	-
	-/- 148	-
Charged costs of adjustment refund of Value Added Tax	114	-
	-/- 34	-
	-/- 23	**-**

The “Adjustment refund of Value Added Tax” amounting to € 114,000 negative represents the expense for Bulgarian Valued Added Tax as a result of the repayment of a tax credit incurred by the sale of apartment Block 2-A, at Boyana, Bulgaria. These costs will be recovered from the asset manager Secure Management srl.

15.32 NET RESULTS ON INVENTORIES

	2020 In € 1,000	2019 In € 1,000
Valuation gains	6	-
Valuation losses	-/- 12	-
	-/- 6	-
Costs on sale of inventories	-/- 34	-
	-/- 40	**-**

15.33 FINANCIAL INCOME

	2020 In € 1,000	2019 In € 1,000
Release secured vendor loan Real Estate Central Europe AS	-	500
Realised currency results on net investments in group companies	45	47
Change in fair value of derivatives	-	22
Interest on trade receivables	-	4
Interest income on held bank balances and deposits	2	2
Other financial income	2	-
	49	**575**

15.34 OTHER OPERATING INCOME

	2020 In € 1,000	2019 In € 1,000
Early termination of rental contracts	14	52
Penalty interest and fees	1	1
Other operating income	15	7
	30	**60**

15.35 ADMINISTRATIVE EXPENSES

15.35.1 Specification administrative expenses

	2020 In € 1,000	2019 In € 1,000
Fund management fee	665	680
Performance-related remuneration	-	-
	665	**680**

15.35.2 Management fee

This is the total fee received by the Managing Board (Arcona Capital Fund Management B.V.) for the management it performs. The total management fee consists of the fund management fee as well as the asset management fee. The management fee is calculated by percentages on the value of the Fund's total assets at month-end. In accordance with the Fund's prospectus, the Registration Document dated October 19, 2016 and the Security Note dated October 28, 2016 these percentages are:

- for assets below € 75 million: 1.50% per annum (0.125% per month);
- for assets from € 75 million and above: 1.00% per annum (0.083% per month).

15.35.3 Specification fund management fee

	2020 In € 1,000	2019 In € 1,000
Management fee	1,407	1,338
Less: asset management fee:		
Arcona Capital Czech Republic s.r.o.	473	474
Arcona Capital Poland Sp. z o.o.	180	179
CEG South East Continent Unique Real Estate Management Limited	89	5
	742[10]	658
Fund management fee (Arcona Capital Fund Management B.V.)	**665**	**680**

15.35.4 Performance-related remuneration

The Managing Board is entitled to performance-related remuneration dependent on the Fund's total annual return. The total return is defined as the increase in Net Asset Value per ordinary and registered share over the relevant financial period increased by dividends distributed during that financial period. The sum of these components is expressed as a percentage of the Net Asset Value per ordinary and registered share at the start of the financial period. The total performance-related remuneration is calculated on the total average number of outstanding ordinary and registered shares in the relevant financial period multiplied by the Net Asset Value per ordinary share at the start of the relevant financial period.

The performance-related remuneration consists of three tiers:

1. in the case of a total return of up to 12% the performance-related remuneration is 0%;
2. in the case of a total return of 12% to 15% the performance-related remuneration is 20% of the total return less 12%;
3. in the case of a total return of more than 15% the performance-related remuneration is 30% of the total return less 15%. In addition, the remuneration indicated under 2 will be awarded.

The performance-related remuneration will be charged annually in arrears and is budgeted and put aside on a three-monthly basis. This performance-related remuneration will not be due if the stock exchange price of the share plus the dividends distributed in the relevant financial period is lower than that of any preceding period for which the performance-related remuneration was deducted.

50% of the performance-related remuneration is payable in shares in the Fund, such shares to be issued at Net Asset Value as at year-end rather than the prevailing stock exchange price (unless the stock market price is above the Net Asset Value per share). The share component of the performance-related remuneration due for a financial period is payable after publication of the Annual Report after the end of the relevant financial period, the cash components are payable in three equal amounts on 30 April, 31 July and 31 October following the end of the relevant financial period.

For the financial period, the Managing Board is not entitled to performance-related remuneration.

[10] See also section 15.26.2 "Analysis of property operating expenses".

15.36 OTHER OPERATING EXPENSES

15.36.1 Specification of other operating expenses

	2020 In € 1,000	2019 In € 1,000
Costs of service providers	868	867
Other operating expenses	103	324
	971	1,191
Costs of funding and acquisition	451	491
	1,422	**1,682**

15.36.2 Analysis of costs of service providers

	2020 In € 1,000	2019 In € 1,000
Accounting expenses	289	291
Audit fees	207	135
Consultancy fees	154	154
Marketing expenses	10	57
Custody fees	57	49
Appraisal expenses	37	35
Listing, Paying and Fund Agent fees	6	37
Supervisory Board fees	28	28
Insurance AIFMD	19	23
Supervisors' expenses	20	14
Bank costs	18	18
Court fees	2	-
Other costs of service providers	21	26
	868	**867**

For the items listed above the following explanation can be given:

- the "Accounting expenses" include the expenses in respect of bookkeeping, consolidation activities on a quarterly basis for results announcements and the determination of corresponding Net Asset Value (NAV), preparation of (Semi)-Annual Report and other activities to fulfill administrative requirements for the Fund and its subsidiaries;
- the "Audit fees" include the fees for the audit of the Consolidated Financial Statements and Parent Company Financial Statements, as well as audits of accounts of subsidiaries. The fees for the audit of the Consolidated Financial Statements and Parent Company Financial Statements 2020 (Deloitte Netherlands) are estimated at € 60,000 (2019: € 53,000). During the financial period audit fees related to prior years have been booked in an amount of € 37,000 (2019: € 7,000 negative). The audit fees of accounts of subsidiaries (Deloitte other countries) amount to € 110,000 (2019: € 89,000). Except for:
    - audit of the Consolidated Financial Statements and Parent Company Financial Statements, and
    - audits of accounts of subsidiaries,

  no services of Deloitte have been used.
- the "Consultancy fees", including legal fees, relate mainly to consultancy fees for tax structuring;
- the "Custody fees" include the fees for operational activities by the AIFMD Depositary;
- the "Supervisors' expenses" include expenses for supervision by the AFM and "De Nederlandsche Bank" (**DNB**);
- the "Other costs of service providers" include, among others, costs of press releases and Euronext Fund Services (**EFS**).

15.36.3 Analysis of Supervisory Board fees

	2020 In € 1,000	2019 In € 1,000
H.H. Kloos RBA	14	14
B. Vos M.Sc.	14	14
	28	**28**

The Fund has provided no loans, advances or guarantees for the members of the Supervisory Board. The members of the Supervisory Board receive no options or remuneration in the form of the Fund's shares.

15.36.4 Analysis of other operating expenses

	2020 In € 1,000	2019 In € 1,000
Change in provision for doubtful trade receivables	-/- 110	103
Non-refundable Value Added Tax	125	104
Irrecoverable trade receivables	76	109
Wages and salaries statutory directors	12	8
	103	**324**

15.36.5 Analysis of costs of funding and acquisition

	2020 In € 1,000	2019 In € 1,000
Consultancy fees / legal fees	405	414
Due diligence	46	77
	451	**491**

The "Costs of funding and acquisition" include costs of technical, legal and tax due diligence for potential acquisitions.

15.36.6 Transaction costs

In accordance with the EU-IFRS accounting principles the Fund includes the transaction costs incurred on purchase of properties, inventories and other investments in the purchase price of investments and recognises the transaction costs incurred on sale of properties, inventories and other investments under realised value adjustments of investments.

Based on article 123:1.c of the Decree on Conduct of Business Supervision of Financial Undertakings under the Act of Financial Supervision (in Dutch: Besluit Gedragstoezicht Financiële ondernemingen Wft) the analysis of identifiable and quantifiable transaction costs on purchase and sale of investments during the financial period is disclosed. The analysis is as follows:

	2020 In € 1,000	2019 In € 1,000
Transaction costs on purchase of investments	-	-
Transaction costs on sale of investments	214	-
	214	**-**

15.36.7 Costs of lending financial instruments

During the financial period no financial instruments were borrowed or lent by either the Fund or her associated parties (so-called securities lending). No expenses were therefore incurred, or fees requested.

15.36.8 Remuneration for orders on behalf of the Fund

Neither the Managing Board, the directors of the Managing Board, the Fund, the Depositary of the Fund, nor parties affiliated with these parties, received any remuneration for performing assignments for the Fund, other than as described in section 15.35 “Administrative expenses” and 15.36 “other operating expenses” above.

15.36.9 Outsourcing expenses

The Managing Board of the Fund has in the ordinary course of business outsourced the accounting of the Fund to KroeseWevers Accountants B.V.

The related expenses are included in the section “Accounting expenses”, as indicated in section 15.36.2 “Analysis of costs of service providers”.

15.36.10 Comparison of actual costs with prospectus

	2020 Actual In € 1,000	2020 Prospectus In € 1,000	2019 Actual In € 1,000	2019 Prospectus In € 1,000
Costs of service providers	868,000	900,000	867,000	900,000

For comparison of actual costs of service providers with budgeted costs of service providers as per the Fund’s prospectus, the Registration Document dated October 19, 2016 in conjunction with the Security Note dated October 28, 2016 has been used.

For the analysis of costs of service providers see section 15.36.2 “Analysis of costs of service providers”.

15.37 PERSONNEL COSTS

The Fund does not employ any personnel, with the exception of statutory directors of the Fund’s subsidiaries. The statutory directors receive a wage, which is specified in “Other operating expenses” (see section 15.36.4 “Analysis of other operating expenses”).

15.38 FINANCIAL EXPENSES

	2020 In € 1,000	2019 In € 1,000
Interest expense on secured bank loans	1,197	1,166
Interest expense on convertible bonds	259	329
Interest expense on lease liabilities	92	100
Interest expense on other loans and borrowings	733	375
Interest expense on derivatives	106	35
Change in fair value of derivatives	189	-
Withholding tax on loans due to shareholders and other group companies	20	18
Other exchange and currency translation results	53	23
Bank guarantee fund charges	-.	13
Penalty interest on secured bank loans	22	5
Valuation losses on “Other investments”	1	1
Other financial expenses	-	6
	2,672	**2,071**

15.39 ONGOING CHARGES FIGURE

Based on article 123:1.l of the Decree on Conduct of Business Supervision of Financial Undertakings under the Act of Financial Supervision (in Dutch: “Besluit Gedragstoezicht Financiële ondernemingen Wft”) the Ongoing Charges Figure (**OCF**) is disclosed. The OCF is calculated by dividing the total expenses (including “Operating expenses”) during the financial year by the average “Group equity” of the Fund during the financial year. The total expenses include the expenses charged to the profit for the period as well as to “Group equity”. They also include the “Operating expenses” of the properties and inventories. No net service charges are included in the total expenses, since these are entirely covered by the service income from service fees and the fees part of the gross rental income. The expenses which are related to the issuance and the redemption of own ordinary shares, as far as these are covered by surcharges and reductions received, are not taken into consideration. Regular interest charges for loans contracted, as well as costs of investment transactions, are also not included in the calculation of the OCF.

The average “Group equity” is determined by the average of all calculated and published Net Asset Values (**NAV**’s).[11]

	2020	**2019**	**2018**	**2017**	**2016**
	In %	In %	In %	In %	In %
OCF	9.96	11.13	10.85	13.02	12.82

In 2020 the OCF decreased as a result of a decrease of the total expenses (including “Other operating expenses”) by about 4%, in conjunction with the increase of the average “Group equity” by about 7%.

The total expenses also include non-regular costs, such as “Costs of funding and acquisition” (see section 15.36.5). Without these non-regular costs, the OCF would be 9.00% (2019: 10.01%).

[11] As of March 31, 2018 this is NNNAV instead of NAV.

15.40 INCOME TAX EXPENSE

15.40.1 Tax position

The taxable profits of the Fund are subject to Corporate Income Tax (CIT).

15.40.2 Income tax expense recognised in the Consolidated Income Statement

	2020 In € 1,000	2019 In € 1,000
Current income tax expense		
Current year	555	216
Adjustments related to prior years	1	35
	556	251
Deferred income tax expense		
Origination and reversal of taxable temporary differences	-/- 639	15
Recognition of previously (derecognition of previously recognised) unrecognised tax losses	87	-/- 32
Recognition of previously unrecognised (derecognition of previously recognised) other taxable temporary differences	306	405
Change in tax rate	-/- 83	6
Adjustments related to prior years	-/- 10	-/- 221
	-/- 339	173
	217	**424**

15.40.3 Reconciliation of effective tax rate

	2020 In %	2020 In € 1,000	2019 In %	2019 In € 1,000
Profit before income tax		**-/- 3,572**		**517**
Tax using the Parent Company's domestic tax rate	25.0	-/- 893	25.0	129
Effect of tax rates in foreign jurisdictions	-/- 11.6	416	-/- 12.4	-/- 64
Change in tax rate	2.3	-/- 83	1.2	6
Tax effect of:				
Non-deductible expenses	-/- 5.7	202	37.1	192
Tax exempt revenues	2.8	-/- 101	-/- 19.0	-/- 98
Tax on phantom results	1.9	-/- 69	-/- 2.9	-/- 15
Current year losses for which no deferred tax asset is recognised	-/- 10.1	361	16.6	86
Recognition of previously unrecognised tax losses	-/- 2.4	87	-/- 6.0	-/- 31
Recognition of previously unrecognised (derecognition of previously recognised) other taxable temporary differences	-/- 8.6	306	78.4	405
Adjustments related to prior years	0.3	-/- 9	-/- 36.0	-/- 186
	-/- 6.1	**217**	**82.0**	**424**

15.40.4 Deferred income tax recognised directly in group equity

	2020 In € 1,000	2019 In € 1,000
Related to receivables from shareholders and other group companies	-/- 19	-/- 9

15.40.5 Applicable local Corporate Income Tax rates

	2022 In %	2021 In %	2020 In %	2019 In %	2018 In %
The Netherlands					
- first bracket	15.00	15.00	16.50	19.00	20.00
- Second bracket as of € 200,000	n.a.	n.a.	25.00	25.00	25.00
- Second bracket as of € 245,000	n.a.	25.00	n.a.	n.a.	n.a.
- Second bracket as of € 395,000	25.00	n.a.	n.a.	n.a.	n.a.
Czech Republic	19.00	19.00	19.00	19.00	19.00
Slovakia	21.00	21.00	21.00	21.00	21.00
Poland					
- Regular	19.00	19.00	19.00	19.00	19.00
- Small taxpayers[12]	9.00	9.00	9.00	9.00	15.00
Ukraine	18.00	18.00	18.00	18.00	18.00
Bulgaria	10.00	10.00	10.00	10.00	10.00

15.41 EARNINGS PER SHARE[13]

15.41.1 Calculation of “Basic earnings per share”

The “Basic earnings per share” are calculated by dividing the profit for the period attributable to holders of shares by the weighted average number of shares outstanding during the financial period.

The weighted average number of shares is adjusted for events, other than the conversion of potential ordinary shares, that have changed the number of ordinary shares outstanding without a corresponding change in resources.

If the number of shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share and of the comparative figures is adjusted retrospectively.

15.41.2 Profit for the period attributable to shareholders of shares (basic)

	2020 In € 1,000	2019 In € 1,000
Profit for the financial period	-/- 3,789	93

15.41.3 Weighted average number of outstanding shares (basic)

	2020 In pieces	2019 In pieces
Issued shares as at 1 January	3,758,683	3,165,149
Effect on issued shares during the financial period	-	68,170
	3,758,683	**3,233,319**

[12] As of January 1, 2019 a reduced corporate income tax rate was introduced for so-called “small taxpayers”. Small taxpayers are, for example, entities whose revenues, including Value Added Tax, in a given tax year did not exceed in the preceding tax year the PLN equivalent of € 1,200,000 (as of January 1, 2020: € 2,000,000). The reduced Corporate Income Tax rate will not be available for entities created or involved in certain restructuring activities.

[13] The calculation of the “Earnings per share” includes all types of profit-sharing shares (e.g. ordinary and registered shares).

15.41.4 Calculation of "Diluted earnings per share"

The "Diluted earnings per share" are calculated by dividing the profit for the period attributable to holders of shares, adjusted for costs relating to the convertible securities included in the profit for the period, by the weighted average number of shares during the financial period, adjusted for the maximum number of shares that could be converted during the financial period.

The adjustments as described are only made in case conversion will cause dilution of earnings. In case conversion will have a positive effect on the earnings per share, these adjustments are not made.

15.41.5 Profit for the period attributable to shareholders of shares (diluted)

	2020 In € 1,000	**2019** In € 1,000
Profit for the period	-/- 3,789	93
Interest expense on convertible bonds (net of tax)	-	-
	-/- 3,789	**93**

15.41.6 Weighted average number of shares outstanding (diluted)

	2020 In pieces	**2019** In pieces
Weighted average number of shares outstanding during the financial period (basic)	3,758,683	3,233,319
Effect on conversion of warrants	-	-
Effect on conversion of convertible bonds	-	-
	3,758,683	**3,233,319**

15.42 RISK MANAGEMENT

15.42.1 General

According to its investment policy set out in the prospectus, the Registration Document dated October 19, 2016 in conjunction with the Security Note dated October 28, 2016, the Fund may hold investments in direct property in Central Europe. The Fund's investment portfolio currently consists of property in the Czech Republic, Slovakia, Poland, Ukraine and Bulgaria. These properties in principle are held for an indefinite period. The aim is however to sell the assets in Ukraine and Bulgaria in the next three years.

The Fund's investment activities result in exposure to various risks, as also defined in the prospectus.

The Managing Board of the Fund determines the tactical investment mix. The Managing Board regularly monitors the deviation between the previously determined tactical investment mix and the actual investment mix.

The risks are summarized in the table below:

Risk category	**Risk *(policy)***	***Notes***	**Risk appetite**	**Impact**	**Likelihood**
Strategy	Market *(mitigation)*	*15.42.2*	High	Medium	High
	Concentration *(avoidance / control)*	*15.42.6*	Low	Medium	Medium
	Economic *(acceptance)*	*15.42.8*	High	High	High
Operational	Fraud *(avoidance)*	*15.42.15*	Low	Medium	Low
	Internal control *(mitigation)*	*15.42.15*	Low	Medium	Low
	Counterparty *(mitigation)*	*15.42.15*	Low	Medium	Low
	Integrity *(avoidance)*	*15.42.19*	Low	Medium	Low
Financial position	Currency *(mitigation / avoidance)*	*15.42.3*	Medium	Low	High
	Interest rate *(mitigation)*	*15.42.4*	Low	Medium	High
	Price *(acceptance)*	*15.42.5*	High	High	High
	Borrowed money *(avoidance)*	*15.42.7*	Low	High	Medium
	Credit (*mitigation)*	*15.42.9*	Low	Medium	Low
	Rent *(mitigation)*	*15.42.10*	Medium	Medium	High
	Debtor *(mitigation)*	*15.42.11*	Medium	Low	High
	Vacancy *(mitigation)*	*15.42.12*	Medium	Medium	High
	Liquidity *(avoidance)*	*15.42.14*	Low	High	Medium
Financial reporting	Outsourcing *(avoidance)*	*15.42.16*	Low	Low	Low
Legal and compliance risk	Regulations *(mitigation)*	*15.42.13*	Low	Medium	Medium
	Tax *(mitigation/acceptance)*	*15.42.16*	Low	Medium	High
	Legal *(mitigation)*	*15.42.18*	Low	High	High

The nature and scope of properties as at Statement of Financial Position's date and the risk policy with regard to the above-mentioned risks and other risks are discussed below.

15.42.2 Market risk

Market risk is the risk of losses in positions arising from movements in market prices. Property values are affected by many factors, including the outlook for economic growth, inflation rate, and developments on the capital markets and the rental income at the time of sale of the property.

The greater the fluctuation in the development of these factors, the greater the risk. The Fund cannot influence macro-economic factors that determine property value. However, through good investment property management the Fund will try to mitigate the risk and will seek to maximise the attraction of the properties in its portfolio to prospective tenants and purchasers. The Fund invests in countries which have different legal systems to Western Europe. In some areas there is much less public information available than would be the case in Western Europe.

Control of the market risk is determined largely by the Managing Board's investment policy, which is aimed at achieving investment results by purchasing investments that are assumed to have been undervalued and are expected to benefit from the further development of the Czech, Slovak, Polish, Ukrainian and Bulgarian economy. The market risk is managed on a day-to-day basis.

The Fund's policy is *mitigation*. The risk appetite is high. The impact is considered medium, the likelihood high. See also section 15.2.10 "Sensitivity analysis" of the buildings (including underground).

15.42.3 Currency risk

The currency risk can be defined as the risk that the fair value of investments and the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund may invest in properties in countries where the Euro has not (yet) been implemented. There is a currency risk that the exchange rate fluctuates. The Fund has the option to mitigate the risk by using financial instruments to hedge the currency risk. The Fund also seeks to mitigate/avoid the risk by concluding rental contracts in Euro.

The Fund invests in some property in currencies other than the functional currency (the Euro) used in these financial statements. At present, the currencies involved are:

- Czech Koruna (CZK);
- Polish Zloty (PLN);
- US Dollar (USD);
- Ukrainian Hryvnia (UAH); and
- Bulgarian Lev (BGN).

Consequently, the Fund is exposed to the risk that the exchange rate of the functional currency in relation to the foreign currency may develop in such a way that this has a negative impact on the value of the investment portfolio in foreign currency (see also the COVID-19 outlook chapter).

Taking into account the high costs involved and management's expectation that the: EUR / CZK exchange rate, EUR / PLN exchange rate, EUR / USD exchange rate and EUR / UAH exchange rate will continue to show relative stability over the long term, the Managing Board has opted not to hedge the currency risk by means of financial derivatives, such as forward contracts.

The EUR / BGN exchange rate has been pegged for many years. The Managing Board does not expect that this will change the following years.

The EUR / UAH exchange rate is more vulnerable to fluctuations, as the UAH is, compared to the other currencies, less liquid.

As at Statement of Financial Position's date the Fund had the following exposure with regard to financial assets. The percentages are based on the carrying amount of financial assets.

	31-12-2020	31-12-2019
	In %	In %
Euro (EUR)	61.1	63.4
Polish Zloty (PLN)	21.2	18.9
Czech Koruna (CZK)	17.2	13.2
US Dollar (USD)	0.4	0.0
Ukrainian Hryvnia (UAH)	0.1	0.0
Bulgarian Lev (BGN)	0.0	4.5
	100.0	**100.0**

The following table sets out the Fund's total exposure to currency risk and the net exposure to currencies of the monetary assets and liabilities. The amounts are based on the carrying amount of monetary assets and liabilities.

	Monetary assets 31-12-2020	Monetary liabilities 31-12-2020	Net exposure 31-12-2020
	In € 1,000	In € 1,000	In € 1,000
Euro (EUR)	1,573	35,625	-/- 34,052
Czech Koruna (CZK)	472	8,750	-/- 8,278
Polish Zloty (PLN)	366	1,923	-/- 1,557
Bulgarian Lev (BGN)	-	201	-/- 201
Ukrainian Hryvnia (UAH)	-	61	-/- 61
US Dollar (USD)	14	2	12
	2,425	**46,562**	**-/- 44,137**

	Monetary assets 31-12-2019	Monetary liabilities 31-12-2019	Net exposure 31-12-2019
	In € 1,000	In € 1,000	In € 1,000
Euro (EUR)	2,211	43,152	-/- 40,941
Czech Koruna (CZK)	517	8,738	-/- 8,221
Polish Zloty (PLN)	476	1,949	-/- 1,473
Bulgarian Lev (BGN)	202	173	29
Ukrainian Hryvnia (UAH)	-	87	-/- 87
	3,406	**54,099**	**-/- 50,693**

If the Euro had weakened by 5% in relation to one of the other currencies, with all variables held constant, net assets attributable to holders of redeemable shares per the Consolidated Income Statement would have decreased by the amounts shown below:

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Czech Koruna (CZK)	414	411
Polish Zloty (PLN)	78	74
Bulgarian Lev (BGN)	10	-/- 1
Ukrainian Hryvnia (UAH)	3	4
US Dollar (USD)	-/- 1	-

A 5% strengthening of the Euro against the above currencies would have resulted in an equal but opposite effect on the above financial statement amounts, on the basis that all other variables remain constant.

The Fund's policy is mitigation / avoidance. The risk appetite is medium, the impact is low and the likelihood high.

15.42.4 Interest rate risk

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

The Fund's investment policy allows loans to be taken up. For reasons of control of liquidity, the Fund holds limited cash and cash equivalents. The Fund has the possibility of investing these funds in short-term deposits.

The Fund manages its interest rate risk with the objective of reducing the cash flow interest rate risk by the use of derivatives. As at Statement of Financial Position's date the Fund has contracted into the following derivatives for the loan attracted in the Czech Republic (*Interest rate swap II)* and Poland (*Interest rate swap I* and *Interest rate cap I*). The derivatives in Poland ended by the refinancing of the loan of BNP Paribas Bank Polska by the Hypo Noe loan:

	As at 31-12-2020					
	Nominal amount In € 1,000	Average fixed interest rate In %	Termination date	Assets In € 1,000	Liabilities In € 1,000	Line item in the SFP where the hedging instrument is included
Interest rate swap I	5,911	0.22	30-11-2021	-	43	Derivative financial instruments
Interest rate swap II	5,904	1.995	29-03-2024	-	209	Derivative financial instruments
Interest rate cap I	1,680	4.50	30-11-2021	-	-	n.a.

	As at 31-12-2019					
	Nominal amount In € 1,000	Average fixed interest rate In %	Termination date	Assets In € 1,000	Liabilities In € 1,000	Line item in the SFP where the hedging instrument is included
Interest rate swap I	6,278	0.22	30-11-2021	-	73	Derivative financial instruments
Interest rate swap II	6,327	1.995	29-03-2024	13	-	Derivative financial instruments
Interest rate cap I	1,785	4.50	30-11-2021	-	-	n.a.

Exposure to interest rate risk

The following table details the Fund's exposure to interest rate risks. It includes the Fund's financial assets and liabilities, categorised by the earlier of contractual re-pricing or maturity date measured by the carrying amount of the assets and liabilities.

	As at 31-12-2020						
	Less than 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-interest bearing	Total
	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Tax assets	-	-	-	-	-	189	189
Trade and other receivables	-	-	-	-	-	822	822
Prepayments and lease incentives	-	-	-	-	-	775	775
Cash and cash equivalents	1,520	-	-	-	-	2	1,522
Financial assets	**1,520**	**-**	**-**	**-**	**-**	**1,788**	**3,308**
Loans and borrowings	9,689	26,314	6,126	287	947	59	43,422
Effect of interest rate swaps	-/- 5,911	-/- 5,904	-	-	-	-	-/- 11,815
Derivative financial instruments	43	209	-	-	-	-	252
Tax liabilities	-	-	-	-	-	620	620
Trade and other payables	-	-	-	-	-	2,658	2,658
Deferred income and tenant deposits	-	-	-	-	-	464	464
Financial liabilities	**3,821**	**20,619**	**6,126**	**287**	**947**	**3,801**	**35,601**
Total interest sensitivity gap	**-/- 2,301**	**-/- 20,619**	**-/- 6,126**	**-/- 287**	**-/- 947**		**-/- 30,280**

	As at 31-12-2019						
	Less than 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-interest bearing	Total
	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Other investments	-	-	-	-	-	4	4
Derivative financial instruments	3	12	-/- 2	-	-	-	13
Tax assets	-	-	-	-	-	144	144
Trade and other receivables	-	-	-	-	-	635	635
Prepayments and lease incentives	-	-	-	-	-	989	989
Cash and cash equivalents	2,743	-	-	-	-	3	2,746
Financial assets	**2,746**	**12**	**-/- 2**	**-**	**-**	**1,775**	**4,531**
Loans and borrowings	10,532	31,837	3,250	3,441	1,600	78	50,738
Effect of interest rate swaps	-/- 6,278	-/- 6,327	-	-	-	-	-/- 12,605
Derivative financial instruments	3	7	30	33	-	-	73
Tax liabilities	-	-	-	-	-	326	326
Trade and other payables	-	376	-	-	-	2,668	3,044
Deferred income and tenant deposits	-	-	-	-	-	744	744
Financial liabilities	**4,257**	**25,893**	**3,280**	**3,474**	**1,600**	**3,816**	**42,320**
Total interest sensitivity gap	**-/- 1,511**	**-/- 25,881**	**-/- 3,282**	**-/- 3,474**	**-/- 1,600**		**-/- 35,748**

Fair value sensitivity analysis for fixed-rate instruments
An increase of 100 basis points in interest rates as at Statement of Financial Position's date would have decreased group equity and profit for the period by € 303,000 (2019: € 357,000).
A decrease of 100 basis points in interest rates as at Statement of Financial Position's date would have increased group equity and profit for the period by € 303,000 (2019: € 357,000).

This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Cash flow value sensitivity analysis for variable-rate instruments
A reasonably possible change of 100 basis points (bp) in interest rates as at Statement of Financial Position's date would have increased and / or decreased "Profit for the period" by the amounts shown below.

This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	31-12-2020	31-12-2020	31-12-2019	31-12-2019
	Profit or loss		Profit or loss	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Variable rate instruments	-/- 156	24	-/- 191	70
Interest rate swaps	101	-/- 101	102	-/- 102
Cash flow sensitivity (net)	**-/- 55**	**-/- 77**	**-/- 89**	**-/- 32**

Weighted average interest rate of loans and borrowings
The main part of the financial liabilities represents "Loans and borrowings". As at Statement of Financial Position's date the weighted average interest rate of "Loans and borrowings" is as follows:

	31-12-2020	31-12-2019
	In %	In %
Weighted average interest rate of loans and borrowings	4.34	4.23

The Fund's policy is *mitigation.* The risk appetite is low. The impact of interest rate risk is medium, the likelihood of the risk is high.

15.42.5 Price risk
The price risk can be defined as the risk that the value of the investments will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), caused by factors specific to the individual investment or the issuing institution or factors applicable to the market as a whole.

Rental risk includes the risk of loss of rental income due to vacancies, the lettability of space and movements in market rents.

Property value risk includes the risk of loss of property value due to changing economic circumstances, economic decline and / or oversupply of comparable real estate.

Since the Fund's properties are stated at fair value, with both realised and unrealised value adjustments being recognised directly in the Income Statement, a change in market conditions impacts directly on the Fund's investment result. The price risk is managed by the Fund by constructing a portfolio such that optimum diversification across sectors and markets is achieved.

The Fund's risk policy towards price risk is *Acceptance.* The risk appetite is high. The impact of this risk is high, the likelihood is also high.

For the sensitivity analysis of the buildings (including underground) is referred to section 15.2.10 “Sensitivity analysis”.

15.42.6 Concentration risk

The concentration risk is the risk that can occur if the Fund has a large concentration of investments in certain regions or types of properties or if the Fund depends on a limited number of large tenants. To reduce this risk, investments of the Fund are spread across different types of properties in several regions in Central Europe and the portfolio has a large number of small and medium-sized tenants. The Fund has decreased its concentration in Kosice, Slovakia by selling in 2020 two of the six properties it owns in the city.

The Fund’s policy towards this risk is *Avoidance / control.* The risk appetite is low. The impact of this risk is medium, the likelihood is medium.

15.42.7 Risk associated with investing with borrowed money

The risk associated with investing with borrowed money lies in the fact that shareholders might lose their investment because the lender has a priority call on the proceeds of realisation. The investments are indeed used as a security for the bank loans. However, this risk is limited to the equity within the borrower subsidiary as there is no cross collateralisation and no parent entity guarantee. If the “Loan to Value” (**LTV**) ratio is too high according to the bank covenants it is possible that the Fund needs to sell property to improve LTV. The Fund manages this risk by keeping the LTV below 60% and preferably around 50%.

The risk appetite is low. The impact of this risk is high, the likelihood is medium.

15.42.8 Economic risk

Economic risk is derived from direct financial factors (developments in interest rates and inflation) and market developments (changes in GDP growth and employment). The former tend to affect capital values, the latter occupancy rates and rental levels. Economic risk is managed by the Fund through focussing the Fund’s investments on flexible assets in economically stable regional centres, and managing these assets through local professional teams closely attuned to developments in local market conditions.

The Fund’s policy towards this risk is *Acceptance.* The risk appetite is high. The impact of economic risk is high, the likelihood is also high.

15.42.9 Counterpart risk (credit risk)

The credit risk can be defined as the risk of a counterparty being unable to fulfil its obligation to the Fund associated with monetary assets. The Fund has a credit policy, and the counterpart risk is monitored and controlled on a continuous basis. The risk is presumed to be low, given the short settlement period of most of such monetary assets. The Fund does business with various parties; the most important are banks, tenants and the local administrators of the properties. The Fund will mitigate this risk by regular contact with these counterparties. If credits rise above certain risk limits, measures will be taken to reduce the risk for the Fund.

The carrying amount of monetary assets best represents the maximum credit risk exposure as at Statement of Financial Position's date. As this date, the Fund's monetary assets exposed to credit risk amounted to the following, related to the Fund's net assets attributable to the holders of redeemable ordinary and registered shares:

	31-12-2020	31-12-2020	31-12-2019	31-12-2019
	In € 1,000	In %	In € 1,000	In %
Derivative financial instruments	-	0.0	13	0.0
Tax assets[14]	81	0.2	12	0.0
Trade and other receivables	822	1.9	635	1.3
Cash and cash equivalents	1,522	3.5	2,746	5.8
	2,425	**5.6**	**3,406**	**7.1**

Other than the above-mentioned items, there were no significant concentrations of credit risk to counterparties as at Statement of Financial Position's date. No individual financial investment exceeded 10% of the net assets attributable to the holders of redeemable ordinary and registered shares either as at Statement of Financial Position's date.

The following table sets out the ageing analysis of the Fund's monetary assets. The amounts are based on the carrying amount of monetary assets.

	As at 31-12-2020					
	Current (not past due)	Up to 1 month past due	1 to 3 months past due	3 months to 1 year past due	More than 1 year past due	Total
	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Gross monetary assets						
Tax assets[13]	18	63	-	-	-	81
Trade and other receivables	295	169	110	136	837	1,547
Cash and cash equivalents	1,522	-	-	-	-	1,522
	1,835	**232**	**110**	**136**	**837**	**3,150**
Impairment of monetary assets						
Tax assets[13]	-	-	-	-	-	-
Trade and other receivables	2	3	5	43	672	725
Cash and cash equivalents	-	-	-	-	-	-
	2	**3**	**5**	**43**	**672**	**725**
Net monetary assets						
Tax assets[13]	18	63	-	-	-	81
Trade and other receivables	293	166	105	93	165	822
Cash and cash equivalents	1,522	-	-	-	-	1,522
	1,833	**229**	**105**	**93**	**165**	**2,425**

[14] Exclusive of Corporate Income Tax (CIT).

	As at 31-12-2019					
	Current (not past due)	Until 1 month past due	1 until 3 months past due	3 months until 1 year past due	More than 1 year past due	Total
	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Gross monetary assets						
Derivative financial instruments	13	-	-	-	-	13
Tax assets[15]	12	-	-	-	-	12
Trade and other receivables	116	296	41	209	814	1,476
Cash and cash equivalents	2,746	-	-	-	-	2,746
	2,887	**296**	**41**	**209**	**814**	**4,247**
Impairment of monetary assets						
Derivative financial instruments	-	-	-	-	-	-
Tax assets[14]	-	-	-	-	-	-
Trade and other receivables	2	2	3	145	689	841
Cash and cash equivalents	-	-	-	-	-	-
	2	**2**	**3**	**145**	**689**	**841**
Net monetary assets						
Derivative financial instruments	13	-	-	-	-	13
Tax assets[14]	12	-	-	-	-	12
Trade and other receivables	114	294	38	64	125	635
Cash and cash equivalents	2,746	-	-	-	-	2,746
	2,885	**294**	**38**	**64**	**125**	**3,406**

The impairment with regard to “Trade and other receivables” relates entirely to “Trade receivables”. For further details with regard to this amount see section 15.9 “Trade and other receivables” in the “Notes to the Consolidated Financial Statements”. The following table sets out the pledges of the Fund’s financial assets.

	As at December 31, 2020		
	Guarantee deposits from tenants	Other pledge	Total
	In € 1,000	In € 1,000	In € 1,000
Trade and other receivables	147	-	147
Prepayments and lease incentives	80	-	80
	227	**-**	**227**

	As at December 31, 2019		
	Guarantee deposits from tenants	Other pledge	Total
	In € 1,000	In € 1,000	In € 1,000
Trade and other receivables	174	-	174
Prepayments and lease incentives	92	-	92
	266	**-**	**266**

The Fund’s policy towards this risk is *Mitigation.* The risk appetite is low. The impact of the counterparty risk is medium, the likelihood low.

[15] Exclusive of Corporate Income Tax (CIT).

15.42.10 Rent risk
Rent levels may be subject to downward pressure in periods of economic weakness. In the market, vacancy rates can increase and rents will drop. This can also occur at other points of the economic cycle when new development creates supply that temporarily exceeds demand. Rental risk can be best mitigated by professional, active local asset management with the ability to deploy cash resources to modernise assets and fund tenant incentives. It is also mitigated by ensuring diversification in lease contract expiry dates, to avoid a number of contracts expiring contemporaneously into a weak market.

The Fund's policy towards the risk is *Mitigation.* The risk appetite is medium. The impact of the rent risk is medium, the likelihood is high.

15.42.11 Debtor risk
Debtor risk is the risk that arises from the possibility that a specific counterparty is unable to meet its obligations to the Fund. The policy of the Fund is to reduce the default risk by applying a capital adequacy ratio to (potential) tenants and by ensuring a diverse tenant base across industries (e.g. Food Retail, Financial Services, Communications, Healthcare, Technology, Government, Transportation & Logistics) so that an exposure to certain sectors is limited.

The Fund's policy towards this risk is *Mitigation*. The risk appetite is medium. The impact of this risk is, due to several tenant base low, the likelihood high.

15.42.12 Vacancy risk
The occupancy of properties may decrease by lease termination or bankruptcy of tenants. This risk is mitigated and most effectively managed by the Fund by active local asset management and by a regular programme of capital investment at asset level. For information about non-cancellable leases see section 15.25.5.

The Fund's policy towards this risk is *Mitigation.* The risk appetite is medium. The impact of this risk is medium, the likelihood is high.

15.42.13 Risks with regard to regulations
Political decisions to change the law on, for example, soil pollution, zoning, rent control and taxation can affect the yield of the Fund. This risk is mitigated by the undertaking of detailed analysis of potentially relevant risks (due diligence) before an acquisition. The Fund also follows new developments and adjusts its policy if necessary based on changes in laws and regulations.

The Fund's policy is *Mitigation*. The risk appetite is low. The impact of this risk is medium, the likelihood also medium.

15.42.14 Liquidity risk

The liquidity risk can be defined as the risk of the Fund being unable to fulfil its obligation to counterparties associated with monetary liabilities.

The Fund invests in real estate, a characteristic of which is its relative illiquidity; typically, the sale of real estate takes time and this could potentially affect the liquidity position of the Fund. The Fund will continuously monitor and manage liquidity to meet its obligations.

The following table shows the contractual, undiscounted cash flows of the Fund's monetary liabilities. The "Loans and borrowings" include the payable interest. The payable interest is calculated by using the weighted average interest rate of "Loans and borrowings" as at Statement of Financial Position's date.

	As at December 31, 2020						
	Less than 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**No stated maturity**	**Total**
	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Non-derivative liabilities							
Tax liabilities[16]	230	-	-	-	-	-	230
Loans & borrowings	7,040	3,018	16,671	18,061	1,366	-	46,156
Trade and other payables	2,522	58	78	-	-	-	2,658
	9,792	3,076	16,749	18,061	1,366	-	49,044
Derivative liabilities							
Interest rate swaps	4	32	98	118	-	-	252
Monetary liabilities	**9,796**	**3,108**	**16,847**	**18,179**	**1,366**	**-**	**49,296**

	As at December 31, 2019						
	Less than 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**No stated maturity**	**Total**
	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000	In € 1,000
Non-derivative liabilities							
Tax liabilities[15]	243	-	-	-	-	-	243
Loans & borrowings	2,455	5,045	11,721	33,804	1,849	-	54,874
Trade and other payables	2,876	168	-	-	-	-	3,044
	5,574	5,213	11,721	33,804	1,849	-	58,161
Derivative liabilities							
Interest rate swaps	3	7	30	33	-	-	73
Monetary liabilities	**5,577**	**5,220**	**11,751**	**33,837**	**1,849**	**-**	**58,234**

Weighted remaining maturity of loans and borrowings

The main part of the financial liabilities represents "Loans and borrowings". As at Statement of Financial Position's date the weighted remaining maturity of "Loans and borrowings" is as follows:

	31-12-2020	**31-12-2019**
	In years	In years
Weighted remaining maturity of loans and borrowings	2.35	3.11

[16] Exclusive of Corporate Income Tax (CIT).

Withdrawable credit facilities
As at Statement of Financial Position's date the withdrawable credit facilities of the Fund are as follows:

	31-12-2020	**31-12-2019**
	In € 1,000	In € 1,000
Withdrawable credit facilities	250	250

The Fund's policy towards this risk is *Avoidance.* The risk appetite is low. The Fund works with budgets where the debt service obligation towards banks is carefully monitored. The impact of this risk can be high, the likelihood medium.

15.42.15 Operational risk
Operational risk is the risk of losses coming from failed internal processes, people or systems or from external operational events. Examples of operational risk incidents are: fraud, claims, losses, errors, violation of laws and system failure. During the financial period no material operational risks materialised.

The risk appetite is low. The Fund's policy towards operational risks is *Avoidance* and *Mitigation.* The Fund for example does not tolerate fraud, executes an extensive supplier due diligence / know your customer analysis for service contracts and for transactions and requires Supervisory Board approval for the purchase or sale of property. The impact of these risks is medium, the likelihood low.

15.42.16 Tax risk
Tax risk is the risk associated with possible changes in tax laws or changing interpretations and effects of government policy and regulation.

The Fund's policy towards this risk is *Mitigation / Acceptance.* The Fund tries to mitigate this risk by using local specialists on regulation and taxation. The risk appetite is low. The impact of this risk is medium, the likelihood high.

15.42.17 Outsourcing risk
Risk of outsourcing activities brings with it the risk that the counterparty does not fulfil its contractual obligations or makes mistakes. The Fund periodically assesses the compliance of the agreements and takes action as it deems necessary, e.g. when mistakes occur.

The Fund's policy towards this risk is *Avoidance*. The risk appetite, impact and likelihood are low.

15.42.18 Legal risk
Legal risk is the risk associated with possible changes in legislation or changing interpretations. In normal times legislative changes are proposed by governments and made subject to comment by interested parties before finally being passed into law. This enables drafting errors and unintended consequences to be identified and removed and market participants to prepare themselves carefully for the impact of such changes. The COVID-19 pandemic has led to a wave of emergency legislation from governments across the region in which the Fund invests. This legislation has not been subject to the usual consultation and review processes. As a result, there is a significantly increased risk that such legislation will impact negatively on the interests of the Fund and its subsidiaries. In particular, there is a risk that cancellation or deferment of lease obligations, ostensibly to help retail tenants affected by the pandemic, will lead to a long-term diminution of value in some of the Fund´s properties. The Managing Board will carefully assess all such legislation and seek to mitigate its negative effects to the fullest extent possible by active asset management and by specific legal action.

The Fund's policy is therefore *Mitigation*. The risk appetite is low. The impact can be high, the likelihood high.

15.42.19 Integrity risk

Within organizations there is a risk that people harm organizations by committing fraud or theft. The Managing Board therefore evaluates the reliability and integrity of its staff. All staff in key positions employed the Managing Board will be screened by “Pre-Employment Screening of Dutch Securities Institute” (DSI).

The Fund’s policy towards the integrity risk is *Avoidance*. The risk appetite is low. The impact of the risk is medium, the likelihood low.

15.42.20 Offsetting financial assets and financial liabilities

The Fund does not intend to set-off its financial assets and liabilities and / or does not have the legally enforceable right to do so in the normal course of business.

15.43 DISCLOSURES LEASES

15.43.1 Impacts as at Statement of Financial Position's date

The following table present the impacts of the application of IFRS 16 as at Statement of Financial Position's date:

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Right-of-use assets	1,494	1,584
Total assets	**1,494**	**1,584**
Non-current lease liabilities	1,234	1,429
Current lease liabilities	176	171
Total liabilities	**1,410**	**1,600**

For the specification and statement of changes in right-of-use assets see section 15.2.7.

For the statement of changes, analysis and maturity analysis of undiscounted cash flows of lease liabilities is see sections 15.16.7 and 15.16.9.

15.43.2 Amounts recognised in Consolidated Income Statement

The following table present the impacts of the application of IFRS 16 in the Consolidated Income Statement:

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Valuation losses of right-of-use assets	90	85
Interest expense on lease liabilities	92	100
Exchange and currency translation losses of lease liabilities	104	16
Expenses relating to short-term leases	-	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	-
	286	**201**

15.43.3 Amounts recognised in Cash Flow Statement

The following table present the impacts of the application of IFRS 16 in the Cash Flow Statement:

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Payment of lease liabilities	178	185

15.43.4 Analysis of lease payments

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Fixed lease payments	178	185
Variable lease payments	-	-
	178	**185**

15.44 DISCLOSURES CASH FLOW STATEMENT

15.44.1 Changes in cash flows arising from investing activities

The following table shows the changes in cash flows arising from investing activities, including:

- changes arising from cash flows;
- non-cash changes.

Investing activities	**Cash changes** In € 1,000	**Non-cash changes** In € 1,000	**Total 2020** In € 1,000
Acquisitions of / additions to investment property	-/- 719	-	-/- 719
Acquisitions of / additions to assets held for sale	-/- 10	-	-/- 10
Proceeds from the sale of inventories	-	988	988
Proceeds from the sale of assets held for sale	6,825	-	6,825
Proceeds from the sale of other investments	3	-	3
Fair value adjustments of investment property	-	1,034	1,034
Fair value adjustments right-of-use assets	-	90	90
Fair value adjustments of investment property under development	-	-/- 162	-/- 162
Fair value adjustments of assets held for sale	-	2,109	2,109
Fair value adjustments of other investments	-	1	1
Impairment of inventories	-	17	17
Effect of changes in exchange rate of investment property	-	762	762
Effect of changes in exchange rate of property under development	-	729	729
	6,099	**5,568**	**11,667**

Investing activities	**Cash changes** In € 1,000	**Non-cash changes** In € 1,000	**Total 2019** In € 1,000
Acquisitions of / additions to investment property	-/- 512	-/- 6,165	-/- 6,677
Acquisitions of / additions to investment property under development	-	-/- 3,016	-/- 3,016
Acquisitions of / additions to inventories	-	-/- 2,823	-/- 2,823
Acquisitions of / additions to assets held for sale	-/- 73	-	-/- 73
Fair value adjustments of investment property	-	-/- 162	-/- 162
Fair value adjustments of right-of-use assets	-	85	85
Fair value adjustments of investment property under development	-	42	42
Fair value adjustments of assets held for sale	-	940	940
Fair value adjustments of other investments	-	1	1
Effect of change accounting principles right-of-use assets	-	-/- 1,669	-/- 1,669
Effect of changes in exchange rate of investment property	-	-/- 213	-/- 213
Effect of changes in exchange rate of property under development	-	-/- 2	-/- 2
	-/- 585	**-/- 12,982**	**-/- 13,567**

15.44.2 Changes in cash flows arising from financing activities

The following table shows the changes in cash flows arising from financing activities, including:

- changes arising from cash flows;
- non-cash changes.

Financing activities	Cash changes	Non-cash changes	Total 2020
	In € 1,000	In € 1,000	In € 1,000
Proceeds from secured bank loans	377	530	907
Repayments of secured bank loans	-/- 4,561	-/- 799	-/- 5,360
Repayments of other loans and borrowings	-/- 2,300	-/- 111	-/- 2,411
Repayments of lease liabilities	-/- 178	-	-/- 178
(Amortisation) flat fee secured bank loans	-	56	56
(Amortisation) flat fee other loans and borrowings	-	-/- 37	-/- 37
Accrued interest of convertible bonds	-	31	31
Accrued interest of lease liabilities	-	92	92
Effect of changes in exchange rates of secured bank loans	-	-/- 273	-/- 273
Effect of changes in exchange rates of lease liabilities	-	-/- 104	-/- 104
Effect of changes in exchange rates of other loans and borrowings	-	-/- 19	-/- 19
	-/- 6,662	**-/- 634**	**-/- 7,296**

Financing activities	Cash changes	Non-cash changes	Total 2019
	In € 1,000	In € 1,000	In € 1,000
Proceeds from secured bank loans	5,024	19,253	24,277
Proceeds from other loans and borrowings	2,500	828	3,328
Repayments of secured bank loans	-/- 3,064	-/- 16,973	-/- 20,037
Repayments of convertible bonds	-/- 1,070	-	-/- 1,070
Repayments of other loans and borrowings	-/- 2,000	-/- 500	-/- 2,500
Repayments of lease liabilities	-/- 185	-	-/- 185
Distributions to shareholders	-/- 1,108	-	-/- 1,108
(Amortisation) flat fee	-	35	35
Accrued interest of convertible bonds	-	43	43
Accrued interest of lease liabilities	-	100	100
Effect of change accounting principles lease liabilities	-	1,669	1,669
Effect of changes in exchange rates of secured bank loans	-	102	102
Effect of changes in exchange rates of lease liabilities	-	16	16
	97	**4,573**	**4,670**

15.45 RELATED PARTIES

15.45.1 Identity of related parties

For the Fund the following categories of related parties were identified during the financial period:

I. Managers in key positions, meaning the Managing Board and the Supervisory Board;
II. Major investors (more than 20% voting rights);
III. All organisational entities within the group designated as Arcona Capital;
IV. Investment trusts, investment funds and other investment companies which are managed by an entity belonging to Arcona Capital;
V. Investments undertaken by Arcona Capital, in which Arcona Capital has significant influence (more than 20% of voting rights).

Related parties include both natural and legal persons. Close members of the family of natural persons, being related parties, are also classified as related parties.

15.45.2 Transactions with and / or interests of managers in key positions (I)

During the financial period the Fund entered into the following transactions with the managers in key positions:

A. The Managing Board decided to reduce its own management fee by an amount equivalent to the asset management fees paid by the Fund (and / or its subsidiaries) to Arcona Capital Czech Republic, s.r.o. for the amount of € 473,000 (2019: € 474,000);
B. The Managing Board decided to reduce its own management fee by an amount equivalent to the asset management fees paid by the Fund (and / or its subsidiaries) to Arcona Capital Poland Sp. z o.o. for the amount of € 180,000 (2019: € 179,000).

During the financial period no other transactions occurred with members of the Managing Board and / or members of the Supervisory Board.

Personal interests of members of the Managing and Supervisory Board are defined in section 20.3 “Personal interests”.

For the remuneration for the Managing Board see section 15.35 “Administrative expenses”.

For the remuneration for the Supervisory Board and the remuneration for the statutory directors see sections 15.36.3 “Analysis of Supervisory Board fees” and 15.36.4 “Analysis of other operating expenses”.

15.45.3 Specification major investors

	Type of share	Direct real voting rights In %	Indirect real voting rights In %	Direct potential voting rights In %	Total In %
H.M. van Heijst	Ordinary shares	3.95	14.52[17]	n.a.	18.47
	Convertible bonds	n.a.	n.a.	6.07	6.07
Stichting Prioriteit MERE	Priority shares	100.00	n.a.	n.a.	100.00

The voting rights are based on information in the Register of substantial holdings and gross short positions of the AFM, as at Statement of Financial Position’s date.

[17] Through “Stichting Value Partners”.

15.45.4 Transactions with and /or interests of major investors (II)

During the financial period the Fund entered into or maintained the following transactions with major investors:

Name of major investor	Kind of transaction	2020 Amount of transaction during financial period In € 1,000	31-12-2020 Outstanding amount (face value) In € 1,000
H.M. van Heijst	Providing convertible bonds	-	2,000
H.M. van Heijst	Payable interest convertible bonds	130	22

Name of major investor	Kind of transaction	2019 Amount of transaction during financial period In € 1,000	31-12-2019 Outstanding amount (face value) In € 1,000
H.M. van Heijst	Payable interest private unsecured loan	111	-
H.M. van Heijst	Providing convertible bonds	-	2,000
H.M. van Heijst	Payable interest convertible bonds	185	22

15.45.5 Transactions with other related parties (III-IV-V)

During the financial period the Fund entered into or maintained the following transactions with other related parties:

Name of other related party	Kind of transaction	Other information	2020 Amount of transaction during financial period In € 1,000	31-12-2020 Outstanding amount In € 1,000
Arcona Capital Czech Republic s.r.o.	Asset management fee	-	473	-
Arcona Capital Poland Sp. z o.o.	Asset management fee	-	180	-
			653	-
Arcona Capital Czech Republic s.r.o.	Advisory services	-	39	-
Several	Rental income	268 m^2	50	-
Statutory directors	Wages and salaries	-	12	2

Name of other related party	Kind of transaction	Other information	2019 Amount of transaction during financial period In € 1,000	31-12-2019 Outstanding amount In € 1,000
Arcona Capital Czech Republic s.r.o.	Asset management fee	-	474	-
Arcona Capital Poland Sp. z o.o.	Asset management fee	-	179	-
			653	-
Arcona Capital Czech Republic s.r.o.	Advisory services	-	33	-
Several	Rental income	268 m^2	52	-
Statutory directors	Wages and salaries	-	8	-

15.45.6 Investments in other related parties (III-IV-V)

Investment trusts, investment funds and other investment companies, which are managed by an entity belonging to Arcona Capital, do hold investments in companies in which the Fund also holds investments.
As at Statement of Financial Position’s date the Fund held no investments in other related parties.

15.45.7 Agreements with related parties

The Fund has not entered into any agreements with parties affiliated with the Managing Board of the Fund.

15.45.8 Loans from third parties

During the financial period the Fund has entered into loan agreements with third parties. Those third parties are not related parties to the Fund or the Managing Board. However, they are investors in other funds managed by the Managing Board.

15.46 EVENTS AFTER STATEMENT OF FINANCIAL POSITION'S DATE

The following material events after Statement of Financial Position's date have occurred:

A. On January 11, 2021 the Fund's secured bank loan from DNB Bank Polska S.A. for the amount of € 5,5 million was extended until March 31, 2021. On April 1, 2021 this loan was refinanced with a new loan provided by HYPO NOE Landesbank für Niederösterreich und Wien AG (HYPO NOE). See below point C.

B. On January 15, 2021 the Fund intered into a loan agreement with Mr R. Barker (brother of Mr Guy Barker) for an amount of € 250,000 with a term of 3 years and an interest rate of 9.5%. The proceeds of this loan were used to pay back part of the loan to Secure Property Development & Investment Plc (SPDI) in relation to the project Boyana which was due at the end of 2020. The loan to Boyana has an interest rate of 10% and has now been extended to June 2021. The new loan has been approved by the Supervisory Board and Mr R. Barker is not a shareholder in the Fund.

C. On February 4, 2021 the Fund obtained a building permit for its extension project Politických vězňů 10, in central Prague. The project will use the full potential of the building's courtyard wing. The project will add approximately 250 square metres of new office space on two floors and more than 100 square metres of terraces. The Fund plans to start construction works in Q3 2021, with the project expected to be completed within one year;

D. On April 1, 2021 the Fund completed the refinancing of the Polish freehold portfolio, consisting of a modern office building and 7 regional supermarkets. The new loan has been provided by HYPO NOE Landesbank für Niederösterreich und Wien AG (HYPO NOE) from Austria. The loan has a volume of € 14 million and a term of 5 years. The interest rate is 6-month Euribor plus a margin of 2.95%. With the loan from HYPO NOE, the short-term loans from BNP Paribas Bank Polska S.A. and DNB Bank Polska S.A. amounting to approximately € 13.35 million have been fully refinanced.

E. On April 1, 2021 the Fund announced it had refinanced the secured vendor loan from Real Estate Central Europe AS (RECE) with a new loan. This loan covers the Polish leasehold portfolio, consisting of 3 regional supermarkets. The new loan of € 2,2 million has been signed with an investment fund from Poland. The loan has a term of 3 years, the interest is Euribor plus a margin of 8.50%. The Fund has also given a guarantee of € 3 million of for this loan if the local entitiy is not able to pay interest or pay the loan back at the end of the term.

No further material events have occurred after Statement of Financial Position's date.

PARENT COMPANY FINANCIAL STATEMENTS 2020

16 PARENT COMPANY BALANCE SHEET

After proposal result appropriation	***Notes***	**31-12-2020** In € 1,000	**31-12-2019** In € 1,000
Investments			
Investments in group companies	*19.1*	35,434	40,318
Receivables from group companies	*19.2*	16,334	17,886
		51,768	**58,204**
Receivables			
Other receivables	*19.3*	1,235	1,296
Deferred expenses	*19.4*	3	223
		1,238	**1,519**
Other assets			
Cash at bank	*19.7*	165	398
Total assets		**53,171**	**60,121**
Shareholders' equity	*19.8*		
Issued capital	*19.9*	18,794	18,794
Share premium	*19.10*	19,310	19,310
Revaluation reserve	*19.11*	6,691	7,059
Reserve currency translation differences	*19.12*	947	2,204
Reserve investments in group companies	*19.13*	7,137	6,778
Equity component convertible bonds	*19.14*	144	144
Retained earnings	*19.15*	-/- 10,069	-/- 6,289
		42,954	**48,000**
Provisions			
Investments in group companies	*19.16*	1	-
Long-term liabilities			
Convertible bonds	*19.18*	-	3,441
Current liabilities			
Convertible bonds	*19.18*	3,472	-
Private loans	*19.19*	4,373	6,710
Debts to group companies	*19.20*	918	-
Tax liabilities	*19.21*	9	18
Other liabilities	*19.22*	133	244
Accruals	*19.23*	1,311	1,708
Total current liabilities		**10,216**	**8,680**
Total shareholders' equity and liabilities		**53,171**	**60,121**

17 PARENT COMPANY PROFIT AND LOSS ACCOUNT

	Notes	**2020** In € 1,000	**2019** In € 1,000
Income from investments			
Interest	*19.26*	925	953
Realised valuation results of investments			
Investments in group companies	*19.27.1*	46	-
Receivables from group companies	*19.27.2*	-/- 1	47
		45	47
Unrealised valuation results of investments			
Investments in group companies	*19.28*	-/- 2,246	882
Other operating income	*19.29*	2	502
Total operating income		**-/- 1,274**	**2,384**
Administrative expenses	*19.30*	665	680
Other operating expenses	*19.31*	834	956
Interest expenses	*19.33*	997	702
Total expenses		**2,496**	**2,338**
Result before income tax		**-/- 3,770**	**46**
Income tax expense	*19.34*	19	-/- 47
Result after income tax		**-/- 3,789**	**93**

18 ACCOUNTING PRINCIPLES PARENT COMPANY FINANCIAL STATEMENTS

18.1 GENERAL

The Parent Company Financial Statements for the financial period are part of the Consolidated Financial Statements for the financial period.

18.2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The Parent Company Financial Statements have been prepared in accordance with the provisions of Part 9 of Book 2 of the Dutch Civil Code (Titel 9, Boek 2 van het Burgerlijk Wetboek). For the purpose of determining the principles of valuation of assets and liabilities and the determination of results for its Parent Company Financial Statements, the Fund makes use of the option offered in Book 2, article 2:362 (8) of the Dutch Civil Code. This means that the principles of valuation of assets and liabilities and determination of results (hereinafter referred to as the “principles of valuation”) of the Fund’s Parent Company Financial Statements are identical to those that have been applied for the Consolidated Financial Statements. In this context investment in group companies, on which significant influence is exercised, are valued at Net Asset Value. The Consolidated Financial Statements have been prepared in accordance with the standards adopted by the International Accounting Standards Board (“IASB”) and accepted by the European Union (hereinafter referred to as “EU-IFRS”). Reference is made to sections 13.5 to 13.30 inclusive for a description of these principles.

18.3 BASIS OF PREPARATION OF THE PARENT COMPANY FINANCIAL STATEMENTS

18.3.1 Investments in group companies

Investments in group companies in which the Fund either exercises voting control or effective management responsibility are valued at Net Asset Value. The initial recognition in the accounts and valuations at balance sheet dates is made at Net Asset Value. The value is adjusted with the share of the Fund in the results of the group company, based on the principles for determining results as applied in the Consolidated Financial Statements and with the share in the other movements in equity of the group company with effect from the date on which control commences.

The Net Asset Value of the foreign group companies is translated into Euros at the exchange rate as at the balance sheet date. The results of foreign group companies are translated into Euros at the exchange rates at the dates of the transactions. For practical reasons, the average monthly exchange rate for the financial period are used to approximate the exchange rates at the dates of the transactions, as long as the exchange rates have not fluctuated significantly.

18.3.2 Receivables from group companies

Receivables from group companies are initially measured at fair value and subsequently measured at amortised cost. As at balance sheet date the receivables from group companies are translated into Euros at the exchange rate as at the balance sheet date. The recognition and determination of impairments takes place in a forward-looking manner based on the expected credit loss model (ECL). The ECL model applies to the “Receivables from group companies”. Due to the fact that “Investments in group companies” are considered as a combination of assets and liabilities, this means in general that expected credit losses on “Receivables from group companies” are eliminated. The elimination is recognised in the carrying amount of the “Receivables from group companies”.

18.3.3 Share premium

The "Share premium" comprises the amount paid in by the shareholders on ordinary and registered shares of the Fund over and above the nominal value. The uplift received on issuance of own ordinary and registered shares or the reduction applied on redemption of own ordinary and registered shares is recognised directly in the "Share premium".

18.3.4 Revaluation reserve

The legal "Revaluation reserve" comprises the cumulative unrealised positive net change in the fair value of the properties held by the investments in group companies ("Investment property", "Investment property under development" as well as properties classified as "Assets held for sale"), less the related deferred tax liabilities. The deferred tax liabilities are deducted in accordance with the principles of valuation for deferred taxes.
In case of sale of property the cumulative unrealised positive net change in the fair value of the property sold, as well as the related deferred tax liabilities, are no longer stated in the "Revaluation reserve" but recognised under "Retained earnings".

18.3.5 Reserve currency translation differences

Results arising from translation of net investments in group companies outside the Euro-zone into the Fund's functional currency (Euro) are recognised directly in the shareholders' equity in "Reserve currency translation differences". In the event of reduction or sale of the net investment in group companies the cumulative exchange differences related to that group company are (proportionally) transferred to the "Retained earnings".

18.3.6 Reserve investments in group companies

The Fund maintains a reserve ("Reserve investments in group companies") for the amount of its share in the positive result in its group companies and of its share in direct increases in equity since the initial recognition of the group company was made. Negative cumulative results in a group company since its first valuation are not taken into account.

The reserve will be reduced by:

- distributions to which the Fund, until the moment of adoption of its own Financial Statement, has acquired an entitlement;
- direct decreases in equity of the group company;
- distributions which the Fund may effect without restrictions.

The distributions referred to in this section do not include distributions made in the form of shares.

18.3.7 Equity component convertible bonds

This reserve contains the equity component of issued convertible bonds. The equity component is calculated at date of issue. The equity component of a compound financial instrument is not remeasured. The equity component is calculated as 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.

The equity component will be transferred to the "Retained earnings" at the date of redemption or conversion of the convertible bond.

18.3.8 Result from investments in group companies

The share of the results from investments in group companies comprises the Fund's share in the results of the group companies, including the revaluation results of the assets held by the group companies. The result from investments in group companies has been determined on the basis of the principles of valuation adopted by the Fund. Results from transactions between the Fund and the group companies, as well as between the group companies themselves, are recognised insofar as they are realised. If the group companies have been acquired in the course of the financial period, the Fund accounts for the results from investments in group with effect from the date on which control commenced.

18.4 SIZE AND COMPOSITION OF THE EQUITY AND RESULTS IN THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

As the Fund makes use of the option provided in Book 2, article 2:362 (8) of the Dutch Civil Code, the size of the Group equity (in the Consolidated Statement of Financial Position) and the shareholders‘ equity (in the Parent Company Balance Sheet) is identical.

Although the equity in the Consolidated Statement of Financial Position comprises “Group equity”, the composition of the equity (in the Consolidated Statement of Financial Position) and the shareholders‘ equity (in the Parent Company Balance Sheet) is not identical.

Since the Fund makes use of the option provided in Book 2, article 2:362 (8) of the Dutch Civil Code, the profit for the period in the Consolidated Income Statement and profit for the period in the Parent Company Profit and Loss Account is identical.

19 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

19.1 INVESTMENTS IN GROUP COMPANIES

19.1.1 Analysis of investments in group companies

	31-12-2020	31-12-2019
	In € 1,000	In € 1,000
Arcona Capital RE Bohemia s.r.o.	5,180	5,458
Arcona Capital RE Slovakia s.r.o.	19,160	18,891
Arcona Capital Real Estate Poland Sp. z o.o.	1,252	3,075
Arcona Capital Real Estate Trio Sp. z o.o.	5,303	6,167
Arcona Real Estate B.V.	368	791
Aisi Bela LLC	3,084	3,880
Boyana Residence E.O.O.D.	1,087	2,055
Arcona Capital Real Estate Bulgaria Ltd.	-	N.a.
	35,434	**40,318**

The companies indicated above are included in the Consolidated Financial Statements. For further analysis of the investments in group companies is referred to section 15.1.1 “Consolidated subsidiaries”.

19.1.2 Statement of changes in investments in group companies

	2020	2019
	In € 1,000	In € 1,000
Balance as at 1 January	40,318	33,741
Acquisitions	1	6,017
Share in result of group companies	-/- 2,246	882
Distributions	-/- 1,518	-/- 390
Exchange rate differences	-/- 1,122	68
Reclassifications (to “Provisions”)	1	-
Balance as at 31 December	**35,434**	**40,318**

The “Distributions” for the amount of € 1,518,000 negative relates to:

- dividend distributions from Arcona Capital Real Estate Trio Sp. z o.o. for the amount of € 1,203,000;
- distributions from capital contribution Arcona Capital RE Slovakia s.r.o. for the amount of € 315,000.

19.1.3 Security

As at balance sheet date the following securities were provided:

- the issued shares of Arcona Capital RE Bohemia s.r.o. are pledged to Sberbank;
- the issued shares of Arcona Capital Real Estate Poland Sp. z o.o. are pledged to BNP Polbank;
- the issued shares of Arcona Capital Real Estate Trio Sp. z o.o. are pledged to Real Estate Central Europe AS.;
- the issued shares of Boyana Residence E.O.O.D. are pledged to Alpha Bank.

For further information on the pledges to credit institutions and bank covenants see section 15.16.4.

19.2 RECEIVABLES FROM GROUP COMPANIES

19.2.1 Analysis of receivables from group companies

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Loan to Arcona Capital RE Bohemia s.r.o.	2,901	2,987
Loan to Arcona Capital RE Slovakia s.r.o.	-	2,380
Loan to Arcona Capital Real Estate Poland Sp. z o.o.	7,428	7,939
Loan to Arcona Real Estate B.V.	2,904	2,671
Loan to Boyana Residence E.O.O.D.	3,066	1,909
Loan to Aisi Bela LLC	35	-
	16,334	**17,886**

As at balance sheet date the weighted average interest rate on all “Receivables from group companies” is 5.81% per annum (December 31, 2019: 5.71% per annum).

19.2.2 Statement of changes in receivables from group companies

	2020 In € 1,000	2019 In € 1,000
Balance as at 1 January	17,886	18,753
Additions as a result of acquisitions	-	1,909
Loans advanced	2,268	2,249
Redemption on loans advanced	-/- 3,711	-/- 5,063
Exchange rate differences	-/- 109	38
Balance as at 31 December	**16,334**	**17,886**

19.3 OTHER RECEIVABLES

This covers other receivables with a payment term within one year.

19.3.1 Analysis of other receivables

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Interest on receivables from group companies	143	1,102
Dividend receivables on investments in group companies	895	-
Receivables Secure Property Development & Investment plc	83	194
Receivables Secure Management srl	114	-
	1,235	**1,296**

The “Receivables Secure Property Development & Investment plc” for the amount of € 83,000 relates to a compensation to be claimed, in case the Fund has to pay the penalty interest to Alpha Bank.

For the explanation of “Receivables Secure Management srl” for the amount of € 114,000 see section 15.9.2.

19.3.2 Specification of interest on receivables from group companies

	2020	2019
	In € 1,000	In € 1,000
Interest on receivables from Arcona Capital RE Bohemia s.r.o.	142	208
Interest on receivables from Arcona Capital RE Slovakia s.r.o.	-	196
Interest on receivables from Boyana Residence E.O.O.D.	-	698
Interest on receivables from Aisi Bela LLC	1	-
	143	**1,102**

19.3.3 Specification of dividend receivables on investments in group companies

	2020	2019
	In € 1,000	In € 1,000
Dividend receivable on investment in Arcona Capital Real Estate Trio Sp. z o.o.	895	-

19.4 DEFERRED EXPENSES

This relates to deferred expenses with a payment term within one year. The specification is as follows:

	31-12-2020	31-12-2019
	In € 1,000	In € 1,000
Prepayments	3	223

An amount of € 219,000 of the “Prepayments” as at December 31, 2019 concerns acquisition-related costs (e.g. advisory costs, legal fees and costs of due diligence) for assets of Secure Property Development & Investment plc, which are booked in the Parent Company Profit and Loss Account 2020.

19.5 RECOGNISED DEFERRED TAXES

19.5.1 Specification of recognised deferred taxes

	Recognised deferred tax assets In € 1,000	Recognised deferred tax liabilities In € 1,000	Total 2020 In € 1,000
Receivables from group companies	-	28	-/- 28
Tax losses (carried forward)	28	-	28
Deferred taxes before set-off	28	28	-
Set-off deferred taxes	-/- 28	-/- 28	-
	-	**-**	**-**

	Recognised deferred tax assets In € 1,000	Recognised deferred tax liabilities In € 1,000	Total 2019 In € 1,000
Receivables from group companies	-	47	-/- 47
Tax losses (carried forward)	47	-	47
Deferred taxes before set-off	47	47	-
Set-off deferred taxes	-/- 47	-/- 47	-
	-	**-**	**-**

19.5.2 Analysis of recognised deferred taxes

	2020 In € 1,000	2019 In € 1,000
Will expire	28	47
Will never expire	-/- 28	-/- 47
	-	**-**

19.5.3 Analysis of recognised deferred tax assets concerning tax losses (carried forward)

	2020 In € 1,000	2019 In € 1,000
Expires in 2020	-	47
Expires in 2022	28	-
Subtotal will expire	28	47
Will never expire	-	-
Balance as at 31 December	**28**	**47**

Based on the forecast tax results the Managing Board expects (taking into account local tax law and regulations) that in the future there will be sufficient taxable profit to set-off these recognised tax losses.

19.6 UNRECOGNISED DEFERRED TAXES

19.6.1 Specification of unrecognised deferred taxes

	Unrecognised deferred tax assets In € 1,000	Unrecognised deferred tax liabilities In € 1,000	Total 2020 In € 1,000
Tax losses (carried forward)	1,359	-	1,359
Receivables from group companies	1	-	1
	1,360	**-**	**1,360**

	Unrecognised deferred tax assets In € 1,000	Unrecognised deferred tax liabilities In € 1,000	Total 2019 In € 1,000
Tax losses (carried forward)	863	-	863

19.6.2 Analysis of unrecognised deferred taxes

	2020 In € 1,000	2019 In € 1,000
Will expire	1,359	863
Will never expire	1	-
	1,360	**863**

19.6.3 Analysis of unrecognised deferred tax assets concerning tax losses (carried forward)

	2020 In € 1,000	2019 In € 1,000
Expires in 2020	-	19
Expires in 2022	67	82
Expires in 2023	59	51
Expires in 2024	37	32
Expires in 2025	579	390
Expires in 2026	461	153
Expires in 2027	156	136
Subtotal will expire	1,359	863
Will never expire	-	-
Balance as at 31 December	**1,359**	**863**

The Managing Board expects (taking into account local tax law and regulations) that in the future there will be insufficient taxable profit to set-off these unrecognised tax losses.

19.6.4 Statement of changes in unrecognised deferred taxes

	2020	2019
	In € 1,000	In € 1,000
Balance as at 1 January	863	952
Adjustments related to prior years	112	-
Additions / withdrawals	237	42
Change in tax rate	148	-/- 131
Balance as at 31 December	**1,360**	**863**

19.7 CASH AT BANK

Cash at bank is entirely at the free disposal of the Fund.

19.8 SHAREHOLDERS' EQUITY

19.8.1 Statement of changes in shareholders' equity

	Issued capital In € 1,000	Share premium In € 1,000	Revaluation reserve In € 1,000	Reserve currency translation differences In € 1,000	Reserve investments in group companies In € 1,000	Equity component convertible bonds In € 1,000	Retained earnings In € 1,000	Share-holders' equity In € 1,000
Balance as at January 1, 2020	18,794	19,310	7,059	2,204	6,778	144	-/- 6,289	48,000
Result after income tax	-	-	-	-	-	-	-/- 3,789	-/- 3,789
Change in revaluation reserve	-	-	-/- 368	-	-	-	368	-
Change in reserve currency translation differences	-	-	-	-/- 1,257	-.	-	-	-/- 1,257
Change in reserve investments in group companies	-	-	-	-	359	-	-/- 359	-
Balance as at December 31, 2020	**18,794**	**19,310**	**6,691**	**947**	**7,137**	**144**	**-/- 10,069**	**42,954**
Balance as at January 1, 2019	15,826	15,350	7,661	2,136	4,911	210	-/- 5,183	40,911
Result after income tax	-	-	-	-	-	-	93	93
Change in revaluation reserve	-	-	-/- 602	-	-	-	602	-
Change in reserve currency translation differences	-	-	-	68	-	-	-	68
Change in reserve investments in group companies	-	-	-	-	1,867	-	-/- 1,867	-
Change in equity component convertible bonds	-	-	-	-	-	-/- 66	66	-
Own shares issued	2,968	5,068	-	-	-	-	-	8,036
Distributions to shareholders	-	-/- 1,108	-	-	-	-	-	-/- 1,108
Balance as at December 31, 2019	**18,794**	**19,310**	**7,059**	**2,204**	**6,778**	**144**	**-/- 6,289**	**48,000**

19.9 ISSUED CAPITAL

19.9.1 Analysis of issued capital

	31-12-2020 In pieces	31-12-2020 In € 1,000	31-12-2019 In pieces	31-12-2019 In € 1,000
Ordinary shares (at € 5.00 each)	3,731,692	18,659	3,731,692	18,659
Registered shares (at € 5.00 each)	26,991	135	26,991	135
Priority shares (at € 5.00 each)	1	-	1	-
Issued capital	**3,758,684**	**18,794**	**3,758,684**	**18,794**

19.9.2 Ordinary shares

The holders of ordinary shares are entitled to dividends, the distribution of which has been resolved by the General Meeting of Shareholders. The holders of ordinary shares are entitled to exercise one vote per ordinary share at the General Meeting of Shareholders.

	2020 In pieces	2020 In € 1,000	2019 In pieces	2019 In € 1,000
Balance in issue as at 1 January	3,731,692	18,659	3,138,158	15,691
Issued for share-based payments	-	-	593,534	2,968
Balance in issue as at 31 December fully paid	**3,731,692**	**18,659**	**3,731,692**	**18,659**

19.9.3 Registered shares

The registered shares are currently restricted from trading on Euronext Fund Services (EFS) in Amsterdam and the Prague Stock Exchange (PSE).

	2020 In pieces	2020 In € 1,000	2019 In pieces	2019 In € 1,000
Balance in issue as at 1 January	26,991	135	26,991	135
Issued during the financial period	-	-	-	-
Redeemed during the financial period	-	-	-	-
Balance in issue as at 31 December	**26,991**	**135**	**26,991**	**135**

19.9.4 Priority shares

From the profit earned in a financial period, primarily and as far as possible a dividend is distributed on the priority shares amounting to seven per cent (7%) on an annual basis, calculated over the nominal value of the priority shares. No further distributions are made on the priority shares.

	2020 In pieces	2020 In € 1,000	2019 In pieces	2019 In € 1,000
Balance in issue as at 1 January	1	-	1	-
Issued during the financial period	-	-	-	-
Redeemed during the financial period	-	-	-	-
Balance in issue as at 31 December	**1**	**-**	**1**	**-**

19.9.5 Analysis of authorised share capital

	31-12-2020 In pieces	31-12-2020 In € 1,000	31-12-2019 In pieces	31-12-2019 In € 1,000
Ordinary shares (at € 5.00 each)	4,999,999	25,000	4,999,999	25,000
Priority shares (at € 5.00 each)	1	-	1	-
Authorised share capital	**5,000,000**	**25,000**	**5,000,000**	**25,000**

19.10 SHARE PREMIUM

For the statement of changes in share premium see section 19.8.1 “Statement of changes in shareholders’ equity”.

The paid-up share premium for tax purposes as at December 31, 2020 was € 22,430,000 (December 31, 2019: € 22,430,000).

19.11 REVALUATION RESERVE

For the statement of changes in revaluation reserve see section 19.8.1 “Statement of changes in shareholders’ equity”.

19.12 RESERVE CURRENCY TRANSLATION DIFFERENCES

For the statement of changes in reserve currency translation differences see section 19.8.1 “Statement of changes in shareholders’ equity”.

19.13 RESERVE INVESTMENTS IN GROUP COMPANIES

For the statement of changes in reserve investments in group companies see section 19.8.1 “Statement of changes in shareholders’ equity”.

19.14 EQUITY COMPONENT CONVERTIBLE BONDS

For the statement of changes in equity component convertible bonds see section 19.8.1 “Statement of changes in shareholders’ equity”.

19.15 RETAINED EARNINGS

For the statement of changes in retained earnings see section 19.8.1 “Statement of changes in shareholders’ equity”.

19.16 PROVISIONS

19.16.1 Specification of provisions investments in group companies

	2020	**2019**
	In € 1,000	In € 1,000
Provision Arcona Capital Real Estate Bulgaria Ltd.	1	-

19.16.2 Statement of changes in provisions investments in group companies

	2020	**2019**
	In € 1,000	In € 1,000
Balance as at 1 January	-	-
Additions	1	-
Balance as at 31 December	**1**	**-**

19.17 DEFERRED TAX LIABILITIES

For the specification and analysis of the recognised and unrecognised deferred tax liabilities see section 19.6 “Unrecognised deferred taxes”.

19.18 CONVERTIBLE BONDS

For the analysis, statement of changes and valuation of the convertible bonds see sections 15.16.5 and 15.16.6.

19.18.1 Maturity analysis of convertible bonds

	31-12-2020	31-12-2019
	In € 1,000	In € 1,000
Less than 1 year	3,472	-
1 to 5 years	-	3,441
More than 5 years	-	-
	3,472	**3,441**

19.19 PRIVATE LOANS

19.19.1 Analysis of private loans

	31-12-2020	31-12-2019
	In € 1,000	In € 1,000
Secured vendor loan Real Estate Central Europe AS	1,873	4,210
Unsecured loans other third parties	2,500	2,500
	4,373	**6,710**

19.19.2 Statement of changes in private loans

	2020	2019
	In € 1,000	In € 1,000
Balance as at 1 January	6,710	6,710
Loans advanced	-	2,500
Redemptions	-/- 2,300	-/- 2,500
(Amortisation) flat fee	-/- 37	-
Balance as at 31 December	**4,373**	**6,710**

For the conditions of the private loans see section 15.16.12 “Conditions of other loans and borrowings”.

19.19.3 Maturity analysis of private loans

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Less than 1 year	4,373	6,710
1 to 5 years	-	-
More than 5 years	-	-
	4,373	**6,710**

19.20 DEBTS TO GROUP COMPANIES

19.20.1 Analysis of debts to group companies

	31-12-2020 In € 1,000	31-12-2019 In € 1,000
Loans due to group companies	601	-
Interest on debts due to group companies	12	-
Other debts due to group companies	305	-
	918	**-**

19.20.2 Specification of loans due to group companies

	2020 In € 1,000	2019 In € 1,000
Loan due to Arcona Capital Real Estate Bulgaria Ltd.	601	-

As at balance sheet date the weighted average interest rate on all “Loans due to group companies” is 4.75% per annum.

19.20.3 Statement of changes in loans due to group companies

	2020 In € 1,000	2019 In € 1,000
Balance as at 1 January	-	-
Loans advanced	601	-
Balance as at 31 December	**601**	**-**

19.20.4 Specification of interest on debts due to group companies

	2020 In € 1,000	2019 In € 1,000
Interest on debts due to Arcona Capital Real Estate Bulgaria Ltd.	12	-

19.20.5 Specification of other debts due to group companies

	2020 In € 1,000	2019 In € 1,000
Current account Boyana Residence E.O.O.D.	305	-

19.21 TAX LIABILITIES

	31-12-2020	31-12-2019
	In € 1,000	In € 1,000
Value Added Tax (VAT)	9	18

19.22 OTHER LIABILITIES

This covers other liabilities with a payment term within one year. The specification is as follows:

	31-12-2020	31-12-2019
	In € 1,000	In € 1,000
Trade payables	133	244

19.23 ACCRUALS

This covers accruals with a payment term within one year. The specification is as follows:

	31-12-2020	31-12-2019
	In € 1,000	In € 1,000
Administrative expenses	1,014	595
Other operating expenses	213	214
Interest payables	84	124
Secured bank loan Alpha Bank to be taken over	-	666
Interest payables secured bank loan Alpha Bank to be taken over	-	109
	1,311	**1,708**

The "Secured bank loan Alpha Bank to be taken over" and "Interest payables secured bank loan Alpha Bank to be taken over" relates to the subsidiary Boyana Residence E.O.O.D. acquired during December 2019. On July 29, 2020 Arcona Capital Real Estate Bulgaria Ltd. formally took over the secured bank loan Alpha Bank, including accrued interest (see also section 15.16.2).

19.24 NON-CONTINGENT LIABILITIES

As at balance sheet date the Fund was not subject to any contractual obligation concerning for example investments or other non-contingent liabilities that require settlement in a future financial period.

19.25 CONTINGENT LIABILITIES

As at balance sheet date the Fund has the following contingent liabilities:

A. The Fund has a contingent liability towards the sellers of RECE Progress Sp. z o.o. (currently named: Arcona Capital Real Estate Trio Sp. z o.o.) for the maximum amount of € 1,500,000 (the "shares' purchase price increase"). For further information see section 15.25;

On March 31, 2021 the RECE Progress Sp. z o.o. loan was refinanced by a new loan, hence the contingent liability has been cancelled (see events after balance sheet date).

B. The Fund has a contingent liability for an amount of € 180,000 towards BNP Paribas Polska Bank. There is an obligation to refill the current Debt Service Reserve Account of € 300,000 (if draw down by the bank) in its entirely plus € 180,000, so the total amount of the guarantee from the Fund is € 480,000;

On March 31, 2021 the BNP Paribas Polska Bank loan was refinanced by the Hypo Noe Bank loan, hence the contingent liability has been cancelled (see events after balance sheet date).

C. The Fund has a contingent liability to issue ordinary shares arising from the outstanding warrants. For further information see section 15.24.

As at balance sheet date the Fund was not subject to any other contingent liabilities, including any obligations that result from security transactions related to (exchange) rate risk in connection with investments.

19.26 INCOME FROM INVESTMENTS

The income from investments is the interest from receivables from group companies. The specification is as follows:

	2020 In € 1,000	2019 In € 1,000
Arcona Capital RE Bohemia s.r.o.	188	205
Arcona Capital RE Slovakia s.r.o.	80	196
Arcona Capital Real Estate Poland Sp. z o.o.	433	394
Arcona Real Estate B.V.	175	151
Boyana Residence E.O.O.D.	48	7
Aisi Bela LLC	1	-
	925	**953**

19.27 REALISED VALUATION RESULTS OF INVESTMENTS

19.27.1 Realised valuation results of investments in group companies

	2020 In € 1,000	2019 In € 1,000
Realised currency results Arcona Capital RE Slovakia s.r.o.	46	-

The “Realised currency results Arcona Capital RE Slovakia s.r.o.” for the amount of € 46,000 concerns realised currency results as a result of distributions from capital contribution Arcona Capital RE Slovakia s.r.o. for € 315,000.

19.27.2 Realised valuation results of receivables from group companies

	2020 In € 1,000	2019 In € 1,000
Realised currency results Arcona Capital RE Bohemia s.r.o.	-/- 1	47

19.28 UNREALISED VALUATION RESULTS OF INVESTMENTS IN GROUP COMPANIES

The unrealised valuation results of investments in group companies contain the share in the results from investments in group companies. The specification is as follows:

	2020 In € 1,000	2019 In € 1,000
Arcona Capital RE Bohemia s.r.o.	-/- 104	732
Arcona Capital RE Slovakia s.r.o.	584	666
Arcona Capital Real Estate Poland Sp. z o.o.	-/- 1,823	-/- 1,056
Arcona Capital Real Estate Trio Sp. z o.o.	339	502
Arcona Real Estate B.V.	-/- 423	122
Aisi Bela LLC	151	-/- 92
Boyana Residence E.O.O.D.	-/- 968	8
Arcona Capital Real Estate Bulgaria Ltd.	-/- 2	-
	-/- 2,246	**882**

19.29 OTHER OPERATING INCOME

	2020 In € 1,000	2019 In € 1,000
Release secured vendor loan Real Estate Central Europe AS	-	500
Other exchange and currency translation results	-	2
Interest receivables Secure Property Development & Investment plc	2	-
	2	**502**

19.30 ADMINISTRATIVE EXPENSES

For the remuneration of the Managing Board see section 15.35 “Administrative expenses”.

19.31 OTHER OPERATING EXPENSES

19.31.1 Specification of other operating expenses

	2020 In € 1,000	2019 In € 1,000
Costs of service providers	412	465
Costs of funding and acquisition	422	491
	834	**956**

19.31.2 Analysis of costs of service providers

	2020 In € 1,000	2019 In € 1,000
Accounting expenses	129	141
Audit fees	113	46
Consultancy fees	17	60
Supervisory Board fees	28	28
Marketing expenses	10	57
Custody fees	57	49
Listing, Paying and Fund Agent fees	6	37
Supervisors' expenses	20	14
Insurance AIFMD	19	23
Other costs of service providers	13	10
	412	**465**

19.31.3 Audit fees

"Audit fees" of € 113,000 include the fees for the audit of the Consolidated Financial Statements and Parent Company Statements, as well as an estimated amount of € 15,000 for the audit of the figures of the Bulgarian and Ukrainian subsidiaries. During the financial period audit fees for prior years have been booked in an amount of € 37,000 (2019: € 7,000 negative).

19.31.4 Analysis of Supervisory Board fees

For the analysis of the Supervisory Board fees see section 15.36.3 "Analysis of Supervisory Board fees".

19.31.5 Analysis of costs of funding and acquisition

For the analysis of the cost of funding and acquisition see section 15.36.5 "Analysis of funding and acquisition".

19.32 PERSONNEL COSTS

The Fund does not employ any personnel (2019: nil).

19.33 INTEREST EXPENSES

	2020 In € 1,000	2019 In € 1,000
Interest expenses on convertible bonds	259	329
Interest expenses on private loans	691	371
Interest expense on secured bank loan Alpha Bank to be taken over	17	-
Interest expense on loans due to group companies	12	-
Other exchange and currency translation results	17	-
Other interest expenses	1	2
	997	**702**

19.34 INCOME TAX EXPENSE

The results of the Parent Company are subject to Corporate Income Tax (CIT).

19.34.1 Income tax expense recognised in the Parent Company profit and loss account

	2020 In € 1,000	2019 In € 1,000
Current income tax expense		
Current year	-	-
Adjustments related to prior years	-	-
	-	-
Deferred income tax expense		
Origination and reversal of taxable temporary differences	-	-/- 12
Recognition of previously unrecognised tax losses	26	-/- 41
Recognition of previously unrecognised (derecognition of previously recognised) other taxable temporary differences	-	-
Change in tax rate	-/- 7	6
Adjustments related to prior years	-	-
	19	-/- 47
	19	**-/- 47**

19.34.2 Deferred income tax recognised directly in shareholders’ equity

	2020 In € 1,000	2019 In € 1,000
Related to receivables from group companies	-/- 19	-/- 9

19.35 RELATED PARTIES

For the definition of related parties see section 15.45 “Related parties”.

In addition to section 15.45 “Related parties” the Fund entered into or maintained the following transactions with group companies, part of “Other related parties”:

A. Dividends received from group companies, as described in section 19.1.2 “Statement of changes in investments in group companies”;
B. Loans advanced to and redemption on loans to receivables from group companies, as described in section 19.2 “Receivables from group companies”;
C. Loans advanced on debts to group companies, as described in section 19.20 “Debts to group companies”;
D. Amounts received on other debts due to group companies, as described in section 19.20.5 “Specifications of other debts due to group companies”.

19.36 PROPOSAL FOR THE PARENT COMPANY RESULT APPROPRIATION

The Parent Company´s result for the financial period amounts to € 3,789,000 negative. Recognising the mandatory:

- net release of € 368,000 from the “Revaluation reserve”; and
- net addition of € 359,000 to the “Reserve investments in group companies”;

the remaining loss for the financial period was € 3,780,000. It is proposed to the General Meeting of Shareholders to deduct the whole of the remaining loss for the financial period from the “Retained earnings”.

This proposal has already been recognised in the Parent Company balance sheet.

19.37 DETERMINING OF PARENT COMPANY RESULT FOR THE PREVIOUS FINANCIAL PERIOD

During the General Meeting of Shareholders (GM) of the Fund on June 30, 2020, the GM approved the result appropriation proposal of the Managing Board as stated in the Annual Report of the previous year.

19.38 EVENTS AFTER BALANCE SHEET DATE

The following material events have occurred after balance sheet date:

A. On January 11, 2021 the Fund’s secured bank loan from DNB Bank Polska S.A. for the amount of € 5,5 million was extended until March 31, 2021. On April 1, 2021 this loan was refinanced with a new loan provided by HYPO NOE Landesbank für Niederösterreich und Wien AG (HYPO NOE). See below point C.

B. On January 15, 2021 the Fund intered into a loan agreement with Mr R. Barker (brother of Mr Guy Barker) for an amount of € 250,000 with a term of 3 years and an interest rate of 9.5%. The proceeds of this loan were used to pay back part of the loan to Secure Property Development & Investment Plc (SPDI) in relation to the project Boyana which was due at the end of 2020. The loan to Boyana has an interest rate of 10% and has now been extended to June 2021. The new loan has been approved by the Supervisory Board and Mr R. Barker is not a shareholder in the Fund.

C. On February 4, 2021 the Fund obtained a building permit for its extension project Politických vězňů 10, in central Prague. The project will use the full potential of the building’s courtyard wing. The project will add approximately 250 square metres of new office space on two floors and more than 100 square metres of terraces. The Fund plans to start construction works in Q3 2021, with the project expected to be completed within one year;

D. On April 1, 2021 the Fund completed the refinancing of the Polish freehold portfolio, consisting of a modern office building and 7 regional supermarkets. The new loan has been provided by HYPO NOE Landesbank für Niederösterreich und Wien AG (HYPO NOE) from Austria. The loan has a volume of € 14 million and a term of 5 years. The interest rate is 6-month Euribor plus a margin of 2.95%. With the loan from HYPO NOE, the short-term loans from BNP Paribas Bank Polska S.A. and DNB Bank Polska S.A. amounting to approximately € 13.35 million have been fully refinanced.

E. On April 1, 2021 the Fund announced it had refinanced the secured vendor loan from Real Estate Central Europe AS (RECE) with a new loan. This loan covers the Polish leasehold portfolio, consisting of 3 regional supermarkets. The new loan of € 2,2 million has been signed with an investment fund from Poland. The loan has a term of 3 years, the interest is Euribor plus a margin of 8.50%. The Fund has also given a guarantee of € 3 million of for this loan if the local entitiy is not able to pay interest or pay the loan back at the end of the term.

No further material events have occurred after Statement of Financial Position's date.

Amsterdam, April 30, 2021

The Managing Board:

Arcona Capital Fund Management B.V.
On behalf of,

G.St.J. Barker	P.H.J. Mars M.Sc.	H.H. Visscher
Managing director	*Managing director*	*Managing director*

The Supervisory Board:

H.H. Kloos RBA	B. Vos M.Sc.
Chairman	

20 OTHER INFORMATION

20.1 GENERAL PROVISIONS OF THE ARTICLES OF ASSOCIATION CONCERNING RESULT APPROPRIATION

In accordance with Article 28 of the Articles of Association dated September 21, 2016, profits are determined and distributed as follows:

28.1 From the profit earned in a financial period in so far as possible a dividend is first distributed on the priority share, the amount of which dividend is equal to seven per cent (7%) on an annual basis, calculated on the nominal value of the priority share. No further distributions are made on the priority share.

28.2 The priority shareholder determines annually what part of the profit remaining after application of article 28.1 above is added to the reserves.

28.3 It is the prerogative of the general meeting of shareholders to allocate the profit remaining after application of articles 28.1 and 28.2 above.

28.4 Distribution of profit occurs after adoption of the financial statements evidencing that this is permitted.

28.5 The priority shareholder may resolve to make interim distributions on ordinary shares and / or distributions on ordinary shares charged to a Parent Company reserve.

28.6 Distributions on shares may only take place up to a maximum of the amount of the distributable shareholders' equity.

28.7 Unless the body that decides on distribution determines another time, distributions on shares are payable immediately after declaration.

28.8 In calculating the amount of any distribution on shares the shares held by the Parent Company in its own capital are not included.

20.2 DECREE ON THE DUTCH ACT ON FINANCIAL SUPERVISION

Arcona Capital Fund Management B.V. has a permit from the AFM under the Dutch Act on Financial Supervision (Wet op het financieel toezicht, the "Wft") to act as the management company of the Fund.

20.3 PERSONAL INTERESTS

During the financial period neither the Managing Board nor the Supervisory Board held interests in investments by the Parent Company, except for B. Vos M.Sc. who had 4,400 ordinary shares (December 31, 2019: 4,400) in private possession and 4,562 ordinary shares (December 31, 2019: 4,562) in possession through Bas Vos B.V.

20.4 SPECIAL CONTROLLING RIGHTS

Special rights in respect of control of the Parent Company have been granted to the holders of priority shares. The priority shares are bearer shares. As provided by the Articles of Association the priority shares entitle the Foundation:

- to determine the number of members of the Managing Board and Supervisory Board;
- to make binding nominations for appointment of the members of the Managing Board and the members of the Supervisory Board;
- to make the proposal to the General Meeting of Shareholders to suspense or dismiss a Managing Board member and / or a Supervisory Board member;
- to make the proposal to the Supervisory Board for the remuneration of the members of the Supervisory Board;
- to determine which part of the profits remaining after priority dividend (see also section 20.1) shall be reserved;
- to make interim distributions on ordinary shares and / or distributions on ordinary shares charged to a Parent Company reserve;
- to make the proposal to the General Meeting of Shareholders to amend the Articles of Association of the Parent Company;
- to make the proposal to the General Meeting of Shareholders for statutory merger or statutory demerger of the Parent Company;
- to make the proposal to the General Meeting of Shareholders for dissolution of the Parent Company.

The General Meeting of Shareholders needs the approval of the Foundation for decisions of the Managing Board concerning the reduction of the issued share capital.

20.5 INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report

To the shareholders and the supervisory board of Arcona Property Fund N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2020 INCLUDED IN THE ANNUAL ACCOUNTS

Our opinion

We have audited the financial statements 2020 of Arcona Property Fund N.V., based in Amsterdam. The financial statements comprise the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Arcona Property Fund N.V. as at 31 December 2020, and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

- The accompanying company financial statements give a true and fair view of the financial position of Arcona Property Fund N.V. as at 31 December 2020, and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 December 2020.

2. The following statements for 2020: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at 31 December 2020.

2. The company profit and loss account for 2020.

3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Arcona Property Fund N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 900,000. The materiality is based on 1% of Investment Property (under development). We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 45,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Arcona Property Fund N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Arcona Property Fund N.V..

Our group audit mainly focused on significant group entities in Czech Republic, Slovakia, Poland, Ukraine and Bulgaria, covering 100% of total revenues and 100% of total investment properties.

In establishing the overall group audit strategy and plan, we determined the type of work that needed to be performed at the components by the group engagement team and by component auditors from other Deloitte network firms. Where the work was performed by components auditors, we determined the level of involvement we needed to have in the audit work at those components so as to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. For each component we determined whether we require an audit of their complete financial information or whether other procedures would be sufficient.

For the group entities in Czech Republic, Slovakia and Poland we determined that a full audit of the financial information was required. For the components in the Ukraine and Bulgaria we performed an audit of specific account balances.

The group engagement team directed the planning, reviewed the work performed by component auditors and assessed and discussed the results and findings with the component auditors. Due to the COVID-19 pandemic, we were not able to execute the tentatively planned visits to group entities.

Consequently, we revised our strategy for the direction and supervision of the component auditors. The group engagement team held multiple virtual meetings with all the individual component auditors, and management of the relevant group entities, and participated at a minimum in the component auditor closing calls. For all component auditors, remote file reviews were conducted to evaluate the work undertaken and to assess their findings.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Scope of fraud and non-compliance with laws and regulations

In accordance with Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error.

Inherent to our responsibilities for the audit of the financial statements, there is an unavoidable risk that material misstatements go undetected, even though the audit is planned and performed in accordance with Dutch law. 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. Also, we are not responsible for preventing and cannot be expected to detect non-compliance with all laws and regulations. Our audit procedures differ from those performed as part of a specific forensic or legal investigation, which often have a more in-depth scope.

In identifying potential risks of material misstatement due to fraud and non-compliance with laws and regulations, we evaluated the group's risk assessment, had inquiries with the Board of Management, those charged with governance and others within the group.

Following these procedures, and the presumed risks under the prevailing auditing standards, we considered the fraud risks in relation to management override of controls.

As part of our audit procedures to respond to these fraud risks, we evaluated the internal controls relevant to mitigate these risks and performed supplementary substantive audit procedures, including detailed testing of journal entries and supporting documentation in relation to post-closing adjustments. Data analytics, including testing journal entries based on certain risk-based characteristics, is part of our audit approach to address fraud risks.

We assessed the laws and regulations relevant to the group through discussions with the Board of Management, those charged with governance and others within the group and we inspected (board) minutes and revieweding legal expenses.

Resulting from our risk assessment procedures, and whilst realizing that the effects from non-compliance could considerably vary, we considered adherence to (corporate) tax law and financial reporting regulations and the requirements under Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements.

Apart from these, the group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance through imposing fines or litigation.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, the group's ability to continue its business, or to avoid material penalties and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to inquiry of Board of Management, those charged with governance and others within the group as to whether the group is in compliance with such laws and regulations and inspecting correspondence, if any, with the relevant regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

Key audit matter:

Refer to notes 13.9 and 15.2/15.3 to the consolidated financial statements.

As at December 31, 2020 the Company held a portfolio of investment property with a fair value of € 87 million (December 31, 2019: € 97 million) and investment property under construction of € 2.5 million (December 31, 2019: € 3.0 million).

The portfolio consists of € 22.0 million retail, € 52.9 million office, € 6.6 million residential and € 8.0 land plots (under development).

At the end of each reporting period, the management board determines the fair value of its investment property portfolio in accordance with the requirements of IAS 40 and IFRS 13. The Company uses external valuation reports issued by external independent professionally qualified valuers to determine the fair value of its investment property.

As the valuation of investment property is inherently judgmental in nature, due to the use of assumptions that are highly sensitive, any change in assumptions may have a significant effect on the outcome given the relative size of the investment property balance.

The most significant assumptions and parameters involved, given the sensitivity and impact on the outcome, are the capitalisation rate and market rent levels.

The uncertainties over the current economic environment caused by Covid-19 had an impact on the valuation of the Company's properties. Accordingly, the external appraiser and management have stated that it has been necessary to make more judgements than are usually required and the external appraiser has reported the valuation of the property portfolio at 31 December 2020 on the basis of a 'material valuation uncertainty'.

Due to the magnitude and related estimation uncertainty, valuation of investment property is considered a key audit matter.

How the key audit matter was addressed in the audit:

Our audit procedures included, among others, the following:

- We have gained understanding of the valuation process and tested the design and implementation of the Company's relevant controls with respect to the data used in the valuation of the property portfolio;

- We evaluated the competence of the Company's external appraiser, which included consideration of their qualifications and expertise;

- We have further evaluated and challenged the assumptions made in respect to the creditworthiness of significant tenants, lease incentives and vacancy periods in the valuation calculations.

In relation to the significant assumptions used in the valuation of investment property we have:

- determined that the valuation methods as applied by the management board, as included in the valuation reports, are appropriate;

- we have evaluated and challenged the significant assumptions used (such as capitalisation rate, market rental income, market-derived discount rate) against relevant market data. We have involved our internal real estate valuation experts in these assessments;

- we assessed and challenged the judgements made by the external appraiser in light of the valuation uncertainties they highlight in their report in respect of the limited transactional evidence that can be used to form their opinion of fair value in certain classes of assets;

- we assessed the sensitivity analysis on the key input data and assumptions (a.o. gross rental income and net yield) to understand the impact of reasonable changes in assumptions on the valuation and other key performance indicators (i.e. loan covenants);

- we have assessed the appropriateness of the disclosures relating to the assumptions used in the valuations and sensitivity analysis in the notes to the consolidated financial statements.

Observation

We found that, with the (significant) assumptions used in the valuation reports, the valuation of the investment property is valued within a reasonable range.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

In addition to the financial statements and our auditor's report thereon, the annual accounts contain other information that consists of:

- Management Board's Report.

- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.

- APF Key figures.

- Foreword from the managing board.

effect on the financial statements. Our procedures are limited to inquiry of Board of Management, those charged with governance and others within the group as to whether the group is in compliance with such laws and regulations and inspecting correspondence, if any, with the relevant regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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As the valuation of investment property is inherently judgmental in nature, due to the use of assumptions that are highly sensitive, any change in assumptions may have a significant effect on the outcome given the relative size of the investment property balance.

The most significant assumptions and parameters involved, given the sensitivity and impact on the outcome, are the capitalisation rate and market rent levels.

The uncertainties over the current economic environment caused by Covid-19 had an impact on the valuation of the Company's properties. Accordingly, the external appraiser and management have stated that it has been necessary to make more judgements than are usually required and the external appraiser has reported the valuation of the property portfolio at 31 December 2020 on the basis of a 'material valuation uncertainty'.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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.

- Obtaining 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.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's 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 a company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, April 30, 2021

Deloitte Accountants B.V.　　　　Initial for identification purposes:

J. Holland

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