



Report/Opinion of the Board of Directors of Interfund Investments Plc (the “Company”) on the public offer (the “Offer”) of A.R.U Cyprus Equities & Investments Limited (the “Bidder”) for the acquisition of 100% of the issued share capital of the Company (the “Public Offer”)

The Board of Directors of the Company examined the content of the Public Offer Document of A.R.U Cyprus Equities & Investments Limited for the acquisition of 100% of the issued share capital of the Company at the price of €0.10 per share cash as well as the Fairness Opinion of the Independent Expert of Deloitte Ltd dated 1st November, 2013.

The Public Offer Document was approved by the Cyprus Securities and Exchange Commission and is dated October 14, 2013.

Based on article 33(2) of the Takeover Bid Law 2007, N41(I)/2007 (as amended), the Board of Directors must prepare a report on its opinion on the Public Offer.

The Report/Opinion of the Board of Directors will be posted to all shareholders. The Report/Opinion of the Board of Directors will also be available to all shareholders free of charge at: 1) The Company’s registered office (24 Constantinou Paleologou, Flery Court, Office 202, 3095 Lemesos) or 2) Global Capital and Securities Financial Services Limited (50 Arch. Makarios III Avenue, Alpha House 1st Floor, Nicosia) or 3) via email to info@polydorides.com.

On October 3, 2013, the Board of Directors appointed, as per the Article 33(6) of the Law, Deloitte Ltd as independent expert for the preparation of a Fairness Opinion, which will state its opinion on whether the proposed consideration is fair and reasonable as well as its opinion on the calculation basis used for the determination of the consideration.

Opinion of the Board of Directors

The Board of Directors, taking into account the Public Offer Document and the Fairness Opinion of the Independent Expert of Deloitte Ltd dated November 1, 2013, **decided that the Offer is not to the benefit of the shareholders of the Company** and noted the following:

1. The offered consideration of €0.10 per share is lower than the net asset value of the Company by 41.42% based on the data on October 15, 2013 (net asset value: €0.1707). Similarly, the net asset value on October 15, 2013 is 70% higher than the offered consideration.
2. According to the opinion of the Investment Manager, the assets of the Company’s portfolio on September 30, 2013 are mostly comprised of investments abroad, the majority of which has sufficient marketability and are easy to liquidate (90% of the total portfolio).



3. Based on the provisions of the Companies' Law Chapter 113, under certain conditions, the shareholders without the intervention of the Bidder, may decide the liquidation of the Company, taking advantage of the discount mentioned in paragraph 2.

Also, as mentioned in the Fairness Opinion of the Independent Expert (paragraph 8.17), no tax obligations are emerging in case of a capital return by the Company to the shareholders as long as this does not exceed the amount paid by the shareholders.

The Bidder says if the Public Offer is successful and acquires more than 90% of the shares, it may request the delisting of the Company from the CSE.

4. Based on the recent implementation of the law on the Open Ended International Collective Investment Scheme Law 2012 and the relevant directives, the Company, begun procedures so it can be converted into an Open Ended International Collective Investment Scheme, giving more flexibility to the shareholders for the liquidation of their investment on the basis of the asset value at the time of the decision for liquidation and the opportunity to participate in European Markets pursuant to the provisions of the European Directives.
5. The Board of Directors, within the framework of the relevant law when this is allowed, proceeds with the payment of a dividend to the shareholders, aiming at making income for the shareholders.
6. The Bidder is a newly-established company the activities of which is not registered in the Public Offer Document and is presented to be based on a company that is not direct shareholder of the Bidder, without giving any information on the activities and the strategic planning or actions that are not already implemented by the Company.
7. It is noted that the investment policy that the Bidder will follow, if it fails to acquire 90%, is "to propose the adoption of strategies for share buyback and/or capital return to an Extraordinary General Meeting which will take place for this purpose".
8. The basis of calculation of the proposed consideration (Part A.3) is presented to have been examined by the Bidder at the stock market value and marketability of the share during the past 12 months without taking into account the extraordinary restrictive conditions of the Cypriot market, especially after March 15, 2013. It is noted that from March 19, 2013 and until April 2, 2013, the CSE had suspended the trading of all titles of the CSE-listed companies. During 2013, the Cypriot economy and the stock market were affected negatively by the signing of the Memorandum of Understanding between the Republic of Cyprus and the European Central Bank, the European Commission and the International Monetary Fund for external financial aid.

The Board of Directors believes that the Company's assessment and its prospects must be examined from the date of its establishment.

The Board of Directors emphasizes that the shareholders must receive their own independent professional advice in relation to their decision to accept or not the Public Offer. In any case, it is underlined that the Public Offer by the Bidder is a proposal and its aim is not to preempt the shareholders to accept it and the responsibility of any decision taken is theirs.



This Opinion of the Board of Directors does not constitute nor should be construed as an urge or prevention of the shareholders or as an investment or economic or other advice to the shareholders for its acceptance or rejection or for the conduct of any transactions on the Company's movable securities.

It is noted that the Board of Directors cannot guarantee or predict the future course of the stock price of the share in case of an unsuccessful outcome or cancellation of the Public Offer or an unfavourable change of the stock market conditions

Declarations of the Board members

The members of the Board of Directors declare that they do not act in agreement with the Bidder on the Public Offer and - to the extent they are aware of – there are no other agreements in relation to the exercise of voting rights. Also, they declare that there is no conflict of interests between any Board member and the Bidder and there is no irrevocable commitment or letter of intent for the transfer of titles from the Company or any other persons acting in agreement with it.

The members of the Board of Directors do not hold any bonuses; neither the Company has a Bonus Scheme. All Directors are Non-Executive.

The Company does not employ any staff.

The members of the Board of Directors holding shares, Messrs. Michalis Colocassides, Michalis Polydorides, Loizos Christou, John Ioannides, Manthos Rodinos, George Stamatiou, and Pandora Tseriotou, declare that **they will not accept the Public Offer.**

The following table presents the stake held, directly or indirectly, by the members of the Board of Directors on September 30, 2013:

	September 30 2013 %	July 16 2013 (announcement of intention) %
Michalis Colocassides	3,55	3,55
Michalis Polydorides	3,66	3,66
Loizos Christou	1,34	1,34
John Ioannides	0,06	0,06
Manthos Rodinos	0,57	0,51
George Stamatiou	3,53	3,53
Pandora Tseriotou	1,48	1,48
Christos Papaellinas	-	-

The Board of Directors did not proceed with any action relating to the Public Offer and made no contacts for competitive proposals. Also, the Board of Directors did not proceed with any action that does not fall under the ordinary activity of the Company and could lead to the cancellation of the Public Offer.

The Board of Directors, in order to form its opinion, took into account the Company's assets and the Fairness Opinion of the independent expert as follows:



A. Public Offer Document

Information, estimates and opinions included in the Public Offer Document and especially:

- The aim of the Public Offer and the intentions of the Bidder (Part A.1) where it is stated:

“The main reason for which the Bidder submitted the Public Offer is the acquisition of up to 100% of the share capital and the voting rights of the Company so as to acquire the control of the Board of Directors and then to adopt an active policy of asset management in order to achieve goodwill for all its shareholders. Through the Public Offer for the acquisition of up to 100% of the share capital of Interfund Investments Plc, the Bidder offers to the shareholders who wish to accept the Public Offer a way out from their investment at a price higher than the prices in the CSE due to the low marketability of the share and the lack of liquidity in the market.

An additional aim – if the Public Offer is successful – will be the reduction of the discount between the net asset value and the value for the shareholders of Interfund Investments Plc.

To achieve this, the Bidder, after taking into account the prevailing conditions in the market, may propose the adoption of buyback and/or capital return strategies at an extraordinary general meeting which will take place for this purpose”

- The basis of calculation of the consideration (Part A.3).

B. Fairness Opinion of the Independent Expert

In relation to the opinion of the independent expert pursuant to article 33(6) of the Law, the following comments and conclusions are expressed (paragraphs 1.7 – 1.9 of the Executive Summary):

- 1.7. Based on the analysis which is presented in Part 8 of our Report the following points which are listed below must be taken into account for the determination of a fair value (even though these are not the only criteria):
 - i. Contrary to other commercial companies whose assets are not easily liquidated and/or the current use of the assets might limit the ability of these companies to liquidate their investments, the assets of the Company appear to be easy to liquidate.
 - ii. The shareholders of the Company may decide the buy-back of shares from the Company or the reduction of the share capital of the Company in a similar way that the Bidder proposes in his Public Offer Document (see Part 3) and in this way they can take advantage themselves of the difference between the offered price and the net asset value per share.
 - iii. In addition, the shareholders of the Company may alternatively decide the transformation of the Company into an Open Ended International Collective Investments Scheme whose memorandum will allow to the shareholders of the Company to liquidate, as per the rules and conditions which will be decided, approved by the Cyprus Securities and Exchange Commission and the shareholders for the transformation of the Company into an



International Collective Investment Scheme, their shares at the corresponding net asset value, and in this way they can again take advantage themselves of the difference between the offered price and the net asset value per share. The Board of Directors of the Company decided on May 22 2013 to initiate procedures so the Company become an International Collective Investment Scheme (see Appendix 3)

- 1.8. Based on the analysis made in Part 8 of our Report and the reasons listed in Paragraph 1.7 above, **the Offered Price is considered no to be reasonable and fair** due to the big difference between the Offered Price and the Net Asset Value of a share. It must be noted that the Board of Directors must take into account before making its final recommendation to the shareholders that it must provide to the shareholders alternative ways of liquidation of their shares, as for example the buy back of shares and/or the transformation of the Company into an International Collective Investment Scheme which will allow to the shareholders who wish to liquidate their investment to do so at the net asset value at a later stage which will give them substantial surplus in comparison to the offered price.
- 1.9. As it is mentioned in paragraphs 1.6 and 1.8 **despite the fact that the basis of calculation for the Offered Price is acceptable, the Price offered per share that is to say the Offered Price is not reasonable and fair.**

Availability of Directors' Report and Fairness Opinion of the Independent Expert

- (1) This document together with the Fairness Opinion of the Independent Expert will be available free of charge to all shareholders until the expiry of the period of acceptance:
- In electronic form at the CSE website (www.cse.com.cy)
 - Through e-mail to info@polydorides.com
 - In printed form at : (The Company's registered office (24 Constantinou Paleologou, Flery Court, Office 202, 3095 Lemesos) or 2) Global Capital and Securities Financial Services Limited (50 Arch. Makarios III Avenue, Alpha House 1st Floor, Nicosia)
- (2) Pursuant to the relevant law, this document as well as the Fairness Opinion of the Independent Expert, Deloitte Ltd will be posted to all the shareholders.

For Interfund Investments Plc

On behalf of the Board of Directors,

Michalis Colocassides,
Chairman

Michalis Polydorides
Director