

# **EASTERNMED REAL ESTATE CAPITAL PLC**

## **REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

**For the period from 1 October 2021 to  
31 March 2022**

# **EASTERNMED REAL ESTATE CAPITAL PLC**

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## **REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

For the period from 1 October 2021 to 31 March 2022

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# EASTERNMED REAL ESTATE CAPITAL PLC

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## BOARD OF DIRECTORS AND OTHER OFFICERS

**Board of Directors:**

Ioannis Papaioannou  
Ellie Kioupi  
Marcos Panteleimon Klerides  
Athanasios Martinos  
Marina Martinou  
Costas Neocleous  
Dionysios Psallidas

**Company Secretary:**

K and K Secretarial Limited

**Independent Auditors:**

Markos Drakos & Co Ltd  
Chartered Accountants  
86 Ifigenias Street  
2003 Nicosia  
Cyprus

**Registered office:**

Kyriakou Matsi 11, 8th floor,  
Nicosia  
1082  
Cyprus

**Bankers:**

Bank of Cyprus Public Company Ltd  
HSBC Plc  
Credit Suisse AG  
Natwest Bank Plc

**Registration number:**

HE394500

# EASTERNMED REAL ESTATE CAPITAL PLC

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## MANAGEMENT REPORT

The Board of Directors presents its report and audited consolidated financial statements of the Company and its subsidiaries (together with the Company, the "Group") for the period from 1 October 2021 to 31 March 2022.

### **Principal activity and nature of operations of the Group**

The principal activity of the Group is the holding of investment properties (commercial real estate assets primarily in the office sector in the United Kingdom and Switzerland) for long-term rental yields and for capital appreciation.

### **Change in accounting period**

The Group has changed its accounting period from 30 September to 31 March. This was done for the purpose of the accounting period of the consolidated financial statements of the company to be the same as the accounting period of the 9 out of the 11 subsidiaries of the company.

### **Review of current position, and performance of the Group's business**

The Group's development to date, financial results and position as presented in the consolidated financial statements are considered satisfactory.

### **Principal risks and uncertainties**

The principal risks and uncertainties faced by the Group are disclosed in notes 6, 7 and 28 of the consolidated financial statements.

The Coronavirus COVID- 19 pandemic, the invasion of Russia in the Ukraine and the extensive financial and other sanctions imposed to Russia and the United Kindom's withdrawal from the European Union may potentially have a wide impact on the economies and especially on the immovable property markets of the UK and Switzerland, the countries that the Group is operating in, which is difficult to predict.

This operating environment may have a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and Management's current expectations and estimates could differ from actual results.

### **Future developments of the Group**

The Board of Directors does not expect any significant changes or developments in the operations, financial position and performance of the Group in the foreseeable future.

### **Use of financial instruments by the Group**

The Group is exposed to market price risk, interest rate risk, credit risk and liquidity risk from the financial instruments it holds.

### **Market price risk**

The Group is exposed to debenture price risk because of investments held by the Group and classified on the consolidated statement of financial position at fair value through profit or loss. The Group is not exposed to commodity price risk.

The Group's debenture investments issued by two Russian banks that are traded in the Moscow Exchange are since the start of the war on 24 February 2022 not traded and are already in default of interest payments in the period under review.

### **Interest rate risk**

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

# EASTERNMED REAL ESTATE CAPITAL PLC

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## MANAGEMENT REPORT

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from contractual cash flows of debt investments carried at fair value through profit or loss (FVTPL) and deposits with banks and financial institutions, as well as credit exposures to tenants.

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

If tenants are independently rated, these ratings are used. Otherwise, if there is no independent rating, Management assesses the credit quality of the tenant, taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the tenant in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

### **Liquidity risk**

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

### **Share capital**

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

### **Board of Directors**

The members of the Group's Board of Directors as at 31 March 2022 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the period from 1 October 2021 to 31 March 2022.

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

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

### **Independent Auditors**

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

By order of the Board of Directors,



K AND K SECRETARIAL LIMITED

K and K Secretarial Limited  
Secretary

Nicosia, 26 July 2022

## **Independent Auditor's Report**

### **To the Members of Easternmed Real Estate Capital plc**

#### **Report on the Audit of the Consolidated Financial Statements**

##### **Opinion**

We have audited the consolidated financial statements of Easternmed Real Estate Capital plc (the "Company") and its subsidiaries (the "Group"), which are presented in pages 7 to 48 and comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period from 1 October 2021 to 31 March 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the period from 1 October 2021 to 31 March 2022 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

##### **Basis for Opinion**

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

##### **Responsibilities of the Board of Directors for the Consolidated Financial Statements**

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

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

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

## Independent Auditor's Report (continued)

### To the Members of Easternmed Real Estate Capital plc

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

#### Report on Other Legal Requirements

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

- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

**Markos Drakos & Co Ltd**

## **Independent Auditor's Report (continued)**

**To the Members of Easternmed Real Estate Capital plc**

### **Other Matter**

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



Minas Georgiades  
Certified Public Accountant and Registered Auditor  
for and on behalf of  
**Markos Drakos & Co Ltd**  
**Chartered Accountants**

Nicosia, 26 July 2022



# EASTERNMED REAL ESTATE CAPITAL PLC

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period from 1 October 2021 to 31 March 2022

	Note	1/10/2021- 31/03/2022 UK£	1/1/2021- 30/09/2021 UK£
<b>Revenue</b>	8	<b>12.314.633</b>	18.733.225
Rental expenses	9	<b>(1.211.082)</b>	(1.673.103)
<b>Gross profit</b>		<b>11.103.551</b>	17.060.122
Other operating income	10	<b>24.293</b>	3.302.148
Fair value losses on financial assets at fair value through profit or loss		<b>(3.177.295)</b>	(74.899)
Selling and distribution expenses		<b>(7.440)</b>	(39.209)
Administration expenses	11	<b>(297.856)</b>	(399.968)
Net impairment profit/(loss) on financial and contract assets		<b>88.018</b>	(30.852)
<b>Operating profit</b>		<b>7.733.271</b>	19.817.342
Finance income	12	<b>388.345</b>	316.400
Finance costs	12	<b>(271.059)</b>	(447.680)
<b>Profit before tax</b>		<b>7.850.557</b>	19.686.062
Tax	13	<b>(1.797.466)</b>	(3.672.507)
<b>Net profit for the period</b>		<b>6.053.091</b>	16.013.555
<b>Other comprehensive income</b>			
Exchange difference arising on the translation and consolidation of foreign companies' financial statements		<b>3.677.593</b>	(4.051.684)
<b>Other comprehensive income for the period</b>		<b>3.677.593</b>	(4.051.684)
<b>Total comprehensive income for the period</b>		<b>9.730.684</b>	11.961.871

The notes on pages 12 to 48 form an integral part of these consolidated financial statements.

# EASTERNMED REAL ESTATE CAPITAL PLC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2022

	Note	31/03/2022 UK£	30/09/2021 UK£
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment		479	528
Right-of-use assets	14	5,454,429	5,486,294
Investment properties	15	598,430,300	592,500,605
Intangible assets	16	3,149,872	3,149,872
		<u>607,035,080</u>	<u>601,137,299</u>
<b>Current assets</b>			
Trade and other receivables	18	3,710,661	5,471,564
Financial assets at fair value through profit or loss	19	10,541,300	13,704,837
Cash at bank	20	27,402,382	21,068,422
		<u>41,654,343</u>	<u>40,244,823</u>
<b>Total assets</b>		<u><b>648,689,423</b></u>	<u><b>641,382,122</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	21	547,394,670	547,394,670
Share premium	21	563,124	563,124
Other reserves	22	23,690,284	547,547
Retained earnings		<u>15,041,193</u>	<u>8,988,102</u>
<b>Total equity</b>		<u><b>586,689,271</b></u>	<u><b>557,493,443</b></u>
<b>Non-current liabilities</b>			
Borrowings	23	27,924,124	27,736,703
Lease liabilities	24	<u>5,778,045</u>	<u>5,802,827</u>
		<u><b>33,702,169</b></u>	<u><b>33,539,530</b></u>
<b>Current liabilities</b>			
Trade and other payables	25	6,369,056	9,106,504
Deferred income	26	1,554,819	2,383,397
Borrowings	23	17,708,835	31,792,684
Lease liabilities	24	76,465	65,806
Current tax liabilities	27	<u>2,588,808</u>	<u>7,000,758</u>
		<u><b>28,297,983</b></u>	<u><b>50,349,149</b></u>
<b>Total liabilities</b>		<u><b>62,000,152</b></u>	<u><b>83,888,679</b></u>
<b>Total equity and liabilities</b>		<u><b>648,689,423</b></u>	<u><b>641,382,122</b></u>

On 26 July 2022 the Board of Directors of Easternmed Real Estate Capital plc authorised these consolidated financial statements for issue.

.....  
Athanasios Martinos  
Director

.....  
Dionysios Psallidas  
Director

The notes on pages 12 to 48 form an integral part of these consolidated financial statements.

## EASTERNMED REAL ESTATE CAPITAL PLC

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 October 2021 to 31 March 2022

	Note	Share capital UK£	Share premium UK£	Non- refundable advances UK£	Translation reserve UK£	Retained earnings UK£	Total UK£
<b>Balance at 1 January 2021</b>		<b>431.046.749</b>	-	-	<b>4.599.231</b>	<b>(7.025.453)</b>	<b>428.620.527</b>
Net profit for the period		-	-	-	-	16.013.555	16.013.555
Other comprehensive income for the period		-	-	-	(4.051.684)	-	(4.051.684)
Issue of share capital	21	116.347.921	563.124	-	-	-	116.911.045
<b>Balance at 30 September 2021/ 1 October 2021</b>		<b>547.394.670</b>	<b>563.124</b>	-	<b>547.547</b>	<b>8.988.102</b>	<b>557.493.443</b>
Net profit for the period		-	-	-	-	6.053.091	6.053.091
Other comprehensive income for the period		-	-	-	3.677.593	-	3.677.593
Non-refundable advances from shareholders		-	-	19.465.144	-	-	19.465.144
<b>Balance at 31 March 2022</b>		<b>547.394.670</b>	<b>563.124</b>	<b>19.465.144</b>	<b>4.225.140</b>	<b>15.041.193</b>	<b>586.689.271</b>

Share premium and translation reserve are not available for distribution.

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. United Kingdom Pounds) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations are included in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

The non-refundable advances from shareholders are made available to the Board of Directors for future increases of the share capital of the Company.

Companies, which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, within two years after the end of the relevant tax year, will be deemed to have distributed this amount as dividend on the 31 of December of the second year. The amount of the deemed dividend distribution is reduced by any actual dividend already distributed by 31 December of the second year for the year the profits relate. The Company pays special defence contribution on behalf of the shareholders over the amount of the deemed dividend distribution at a rate of 17% (applicable

The notes on pages 12 to 48 form an integral part of these consolidated financial statements.

## **EASTERNMED REAL ESTATE CAPITAL PLC**

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### **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the period from 1 October 2021 to 31 March 2022

since 2014) when the entitled shareholders are natural persons tax residents of Cyprus and have their domicile in Cyprus. In addition, the Company pays on behalf of the shareholders General Healthcare System (GHS) contribution at a rate of 2,65%, when the entitled shareholders are natural persons tax residents of Cyprus, regardless of their domicile.

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The notes on pages 12 to 48 form an integral part of these consolidated financial statements.

# EASTERNMED REAL ESTATE CAPITAL PLC

## CONSOLIDATED CASH FLOW STATEMENT

For the period from 1 October 2021 to 31 March 2022

	Note	1/10/2021- 31/03/2022 UK£	1/1/2021- 30/09/2021 UK£
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before tax</b>		<b>7.850.557</b>	19.686.062
Adjustments for:			
Depreciation of property, plant and equipment		<b>49</b>	93
Depreciation of right-of-use assets	14	<b>31.865</b>	47.953
Exchange difference arising on the translation of non-current assets in foreign currencies		<b>(5.929.695)</b>	4.031.501
Exchange difference arising on the translation and consolidation of foreign companies' financial statements		<b>3.677.593</b>	(4.051.684)
Unrealised exchange profit		<b>(12.342)</b>	(667)
Fair value losses on financial assets at fair value through profit or loss		<b>3.177.295</b>	74.899
(Reversal of impairment)/impairment charge of trade receivables	18	<b>(88.018)</b>	30.852
Interest income	12	<b>(369.983)</b>	(253.443)
Interest expense	12	<b>260.495</b>	416.906
		<b>8.597.816</b>	19.982.472
<b>Changes in working capital:</b>			
Decrease in trade and other receivables		<b>1.848.921</b>	1.633.466
Increase in financial assets at fair value through profit or loss		<b>(13.758)</b>	(13.779.736)
Decrease in bank deposits		<b>145.865</b>	122.889
Decrease in trade and other payables		<b>(2.737.448)</b>	(129.706.520)
Decrease in deferred income		<b>(828.578)</b>	(116.200)
<b>Cash generated from/(used in) operations</b>		<b>7.012.818</b>	(121.863.629)
Tax paid		<b>(6.209.416)</b>	(2.256.612)
<b>Net cash generated from/(used in) operating activities</b>		<b>803.402</b>	(124.120.241)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for purchase of property, plant and equipment		-	(621)
Interest received		<b>369.983</b>	253.443
<b>Net cash generated from investing activities</b>		<b>369.983</b>	252.822
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital		-	116.911.045
Non-refundable advances		<b>19.465.144</b>	-
Repayments of borrowings		<b>(13.892.982)</b>	(1.185.000)
Payments of leases liabilities		<b>(14.123)</b>	(53.355)
Interest paid		<b>(260.495)</b>	(416.906)
<b>Net cash generated from financing activities</b>		<b>5.297.544</b>	115.255.784
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6.470.929</b>	(8.611.635)
Cash and cash equivalents at beginning of the period		<b>20.563.545</b>	29.174.513
Effect of exchange rate fluctuations on cash held		<b>12.342</b>	667
<b>Cash and cash equivalents at end of the period</b>	20	<b>27.046.816</b>	20.563.545

The notes on pages 12 to 48 form an integral part of these consolidated financial statements.

# **EASTERNMED REAL ESTATE CAPITAL PLC**

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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the period from 1 October 2021 to 31 March 2022

### **1. Incorporation and principal activities**

#### **Country of incorporation**

The Company Easternmed Real Estate Capital plc (the "Company") was incorporated in Cyprus on 14 February 2019 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Kyriakou Matsi 11, 8th floor, Nicosia, 1082, Cyprus.

#### **Principal activity**

The principal activity of the Group is the holding of investment properties (commercial real estate assets primarily in the office sector in the United Kingdom and Switzerland) for long-term rental yields and for capital appreciation.

### **2. Basis of preparation**

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

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2021 and relevant to the Company have been adopted by the EU through the endorsement procedure established by the European Commission.

These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment property and financial assets at fair value through profit or loss. The company has decided to change its reporting period from 30 September to 31 March. Therefore the financial statements have been prepared for the period of 6 months while the comparative amounts for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and related notes, have been prepared for a period of 9 months and are not entirely comparable.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 7.

### **3. Adoption of new or revised standards and interpretations**

During the current period the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 October 2021. This adoption did not have a material effect on the accounting policies of the Group.

### **4. Significant accounting policies**

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

# EASTERNMED REAL ESTATE CAPITAL PLC

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 4. Significant accounting policies (continued)

#### Basis of consolidation

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting. The Group consolidated financial statements comprise the financial statements of the parent company Easternmed Real Estate Capital plc and the financial statements of the subsidiaries Medholdings Company Ltd, Classpremium Ltd, Interclass Company Limited, Alphaforum Ltd, Forumprime Ltd, Alphafocus Ltd, Alphaspectrum Ltd, IHC Immobilien Limited, Alphaprecious Ltd, Medcenter Holdings Ltd and Medspectrum Limited.

The financial statements of all the Group companies are prepared using uniform accounting policies. All inter-company transactions and balances between Group companies have been eliminated during consolidation.

#### Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the period from 1 October 2021 to 31 March 2022

### **4. Significant accounting policies (continued)**

#### **Business combinations (continued)**

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

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

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

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

#### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisitions of associates is included in "Investments in associates". Goodwill on acquisitions of investments in joint ventures is included in "investments in joint ventures".

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an undertaking include the carrying amount of goodwill relating to the undertaking sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the period from 1 October 2021 to 31 March 2022

### **4. Significant accounting policies (continued)**

#### **Revenue**

##### **Recognition and measurement**

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

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

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

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

##### **Identification of performance obligations**

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

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

- **Rental income**

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

# EASTERNMED REAL ESTATE CAPITAL PLC

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 4. Significant accounting policies (continued)

#### Revenue recognition (continued)

- **Investment property rental income**

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Other income from property is recognised as other income.

#### Finance income

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

#### Finance costs

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

#### Foreign currency translation

**(1) Functional and presentation currency**

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United Kingdom Pounds (UK£), which is the Group's functional and presentation currency.

**(2) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

#### Tax

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

#### Deferred income

Deferred income represents income receipts which relate to future periods.

# EASTERNMED REAL ESTATE CAPITAL PLC

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 4. Significant accounting policies (continued)

#### Investment properties

Investment property, principally comprising of shops and offices buildings, is held for long-term rental yields and/or for capital appreciation and is not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by the Board of Directors and every 3-5 years by external, independent professional valuers. Changes in fair values are recorded in profit or loss and are included in other operating income.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

#### Leases

At inception of a contract, the Group 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 Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

#### The Group as lessor

When the Group 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 Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group 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 Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

# EASTERNMED REAL ESTATE CAPITAL PLC

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 4. Significant accounting policies (continued)

#### Leases (continued)

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

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

#### The Group as lessee

The Group 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 depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 Group's incremental borrowing rate.

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 Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

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.

The Group presents its right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' in the consolidated statement of financial position.

The lease liabilities are presented in 'loans and borrowings' in the consolidated statement of financial position.

# EASTERNMED REAL ESTATE CAPITAL PLC

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 4. Significant accounting policies (continued)

#### Leases (continued)

##### *Short-term leases and leases of low-value assets*

The Group has elected not to recognise the right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low value assets (i.e. IT equipment, office equipment etc.). The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

#### Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### Financial assets

##### Financial assets - Classification

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

##### Financial assets - Recognition and derecognition

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

# EASTERNMED REAL ESTATE CAPITAL PLC

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 4. Significant accounting policies (continued)

#### Financial assets (continued)

##### Financial assets - Recognition and derecognition (continued)

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

##### Financial assets - Measurement

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

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

##### Debt instruments

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

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

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

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

# EASTERNMED REAL ESTATE CAPITAL PLC

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 4. Significant accounting policies (continued)

#### Financial assets (continued)

##### Financial assets - Measurement (continued)

###### Equity instruments

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

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

##### Financial assets - impairment - credit loss allowance for ECL

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

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

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

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

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

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

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

# EASTERNMED REAL ESTATE CAPITAL PLC

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 4. Significant accounting policies (continued)

#### Financial assets (continued)

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

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

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

##### Financial assets - Reclassification

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

##### Financial assets - write-off

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

##### Financial assets - modification

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

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



# **EASTERNMED REAL ESTATE CAPITAL PLC**

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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the period from 1 October 2021 to 31 March 2022

### **4. Significant accounting policies (continued)**

#### **Financial assets (continued)**

##### **Financial assets - modification (continued)**

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

#### **Cash and cash equivalents**

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise deposits held at call with banks and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are included in borrowings in current liabilities. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

#### **Classification as financial assets at amortised cost**

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

#### **Classification as trade receivables**

Trade receivables are amounts due from tenants for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount specified in the rental agreements signed unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See note 6, Credit risk section.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a tenant to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due.

# EASTERNMED REAL ESTATE CAPITAL PLC

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 4. Significant accounting policies (continued)

#### Financial assets (continued)

##### Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are recognised as a financial liability at the time the guarantee is issued.

Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. In the absence of fees received, the fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Financial guarantees are subsequently measured at the higher of (i) the amount determined in accordance with the expected credit loss model under IFRS 9 "Financial Instruments", and (ii) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 "Revenue from Contracts with customers".

##### Financial liabilities - measurement categories

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

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

##### Borrowings

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

##### Trade payables

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

# EASTERNMED REAL ESTATE CAPITAL PLC

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 4. Significant accounting policies (continued)

#### Financial assets (continued)

#### Financial liabilities - Modifications

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

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

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

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

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

#### Offsetting financial instruments

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

#### Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the services relating to the prepayments are received. If there is an indication that the assets and services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

# EASTERNMED REAL ESTATE CAPITAL PLC

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 4. Significant accounting policies (continued)

#### Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

#### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

#### Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

#### Comparatives

The Company has changed its accounting period from 30 September to 31 March. This was done for the purpose of the accounting period of the consolidated financial statements to be the same as the accounting period of the 9 out of the 11 subsidiaries of the company. Due to this change, the comparative figures are not comparable to the current year's results. The comparative figures relate to the period from 1 January 2021 to 30 September 2021, whereas the current year results relate to the period from 1 October 2021 to 31 March 2022.

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

### 5. New accounting pronouncements

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

### 6. Financial risk management

#### Financial risk factors

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

#### 6.1 Market price risk

The Group is exposed to debenture price risk because of debentures held by the Group and classified on the consolidated statement of financial position at fair value through profit or loss. The Group is not exposed to commodity price risk.

The Group's equity investments that are publicly traded are included in the Moscow Stock Exchange.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 6. Financial risk management (continued)

#### 6.1 Market price risk (continued)

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group's Board of Directors.

#### 6.2 Interest rate risk

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

#### 6.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to tenants, including outstanding receivables.

##### *(i) Risk management*

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

If tenants are independently rated, these ratings are used. Otherwise, if there is no independent rating, Management assesses the credit quality of the tenants, taking into account its financial position, past experience and other factors.

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

##### *(ii) Impairment of financial assets*

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

- trade receivables
- cash and cash equivalents

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 6. Financial risk management (continued)

#### 6.3 Credit risk (continued)

##### *(ii) Impairment of financial assets (continued)*

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

##### *Significant increase in credit risk*

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

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

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

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

##### *Low credit risk*

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

##### *Default*

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

# EASTERNMED REAL ESTATE CAPITAL PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 6. Financial risk management (continued)

#### 6.3 Credit risk (continued)

##### *(ii) Impairment of financial assets (continued)*

##### *Write-off*

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

##### **Trade receivables and contract assets**

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

There were no significant trade receivable balances written off during the year that are subject to enforcement activity.

##### **Receivables from related parties**

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

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

The gross carrying amounts below represent the Group's maximum exposure to credit risk on these assets as at 31 March 2022 and 30 September 2021:

<b>Group internal credit rating</b>	<b>31/03/2022</b>	<b>30/09/2021</b>
	<b>UK£</b>	<b>UK£</b>
Performing	<b>6.532</b>	103.248
<b>Total</b>	<b>6.532</b>	<b>103.248</b>

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

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

##### **Cash and cash equivalents**

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

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

# EASTERNMED REAL ESTATE CAPITAL PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 6. Financial risk management (continued)

#### 6.3 Credit risk (continued)

(ii) Impairment of financial assets (continued)

#### Cash and cash equivalents (continued)

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

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

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

(iii) Expected credit loss on trade receivables and impairment charge in investment in subsidiary recognised in profit or loss

During the period, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets and contract assets:

Impairment losses	1/10/2021- 31/03/2022 UK£	1/1/2021- 30/09/2021 UK£
Impairment charge - trade receivables	(61.831)	(76.151)
Reversal of impairment - trade receivables	149.849	45.299
<b>Net impairment profit/(loss) on financial and contract assets</b>	<b>88.018</b>	<b>(30.852)</b>

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

#### 6.4 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

31 March 2022	Carrying amounts UK£	Contractual cash flows UK£	3 months or less UK£	1-12 months UK£	1-2 years UK£	2-5 years UK£	More than 5 years UK£
Bank loans	35.835.774	35.835.774	-	17.707.774	6.035	18.107.400	14.565
Lease liabilities	5.854.510	-	-	-	-	-	-
Other loans	9.796.124	9.796.124	-	831.250	1.662.500	4.987.500	2.314.874
Bank overdrafts	1.061	1.061	1.061	-	-	-	-
Trade and other payables	4.904.727	4.904.727	-	4.904.727	-	-	-
Shareholders' current accounts	46.819	46.819	-	46.819	-	-	-
	<b>56.439.015</b>	<b>50.584.505</b>	<b>1.061</b>	<b>23.490.570</b>	<b>1.668.535</b>	<b>23.094.900</b>	<b>2.329.439</b>



# EASTERNMED REAL ESTATE CAPITAL PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 6. Financial risk management (continued)

#### 6.4 Liquidity risk (continued)

30 September 2021	Carrying amounts UK£	Contractual cash flows UK£	3 months or less UK£	1-12 months UK£	1-2 years UK£	2-5 years UK£	More than 5 years UK£
Bank loans	49,958,177	49,958,177	500,000	31,788,177	3,160,000	4,740,000	9,770,000
Lease liabilities	5,868,633	5,868,633	33,868	101,603	283,402	425,105	5,024,655
Bank and other loans	9,566,703	9,566,703	-	-	1,662,500	4,987,500	2,916,703
Bank overdrafts	4,507	4,507	4,507	-	-	-	-
Trade and other payables	3,387,698	3,387,698	-	3,387,698	-	-	-
Shareholders' current accounts	4,224,498	4,224,498	-	4,224,498	-	-	-
	<u>73,010,216</u>	<u>73,010,216</u>	<u>538,375</u>	<u>39,501,976</u>	<u>5,105,902</u>	<u>10,152,605</u>	<u>17,711,358</u>

#### 6.5 Currency risk

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

#### 6.6 Operational risk

Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and control systems as well as the risk of human error and natural disasters. The Group's systems are evaluated, maintained and upgraded continuously.

#### 6.7 Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by the Group.

#### 6.8 Reputation risk

The risk of loss of reputation arising from the negative publicity relating to The Group's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Group. The Group applies procedures to minimize this risk.

#### 6.9 Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from last year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 6. Financial risk management (continued)

#### 6.10 Other risks

Negative trends in economic activity, and specifically the real estate markets in United Kingdom and Switzerland may affect the occupier demand, rental rates and investment valuation in respect of the Group's properties. The Group is focused on leasing to credit worthy tenants with either moderate exposure to developments in the economies it operates and/or with very sound financial standing.

Any error or negative trend in valuations of properties would significantly impact the results of the Group. Changes in occupational trends (e.g. requirement for more flexible space and building management technologies) can impact future revenue generating capacity and hence impact the valuation of properties.

Vacancy contributes to higher unrecoverable costs due to no service charge income. Potential departure from market norms and rates as regards to standard rent and incentives to be provided to new and existing tenants in order to secure new leases or extension of existing leases. The Group has a proven ability to attract tenants to its properties due to their location. The Group's Leasing Policy ensures that the key terms offered in new and/or extended lease agreements comply with the market norms in order to prevent any significant departure from market norms and rates.

### 7. Critical accounting estimates, judgments and assumptions

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

#### *Critical accounting estimates and assumptions*

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

- **Calculation of loss allowance**

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

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

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

- **Income taxes**

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

# EASTERNMED REAL ESTATE CAPITAL PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 7. Critical accounting estimates, judgments and assumptions (continued)

*Critical judgements in applying the Group's accounting policies*

- **Fair value of investment property**

The fair value of investment property is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of the investment property has been estimated based on the fair value of their individual assets.

- **Impairment of financial assets**

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

- **Impairment of non-financial assets**

The impairment test is performed using the discounted cash flows expected to be generated through the use of non-financial assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- **Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of the Group on which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units using a suitable discount rate in order to calculate present value.

- **Useful live of depreciable assets**

The Board of Directors assesses the useful lives of depreciable assets at each reporting date, and revises them if necessary so that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to technological obsolescence, mis-usage and other factors that are not easily predictable.

### 8. Revenue

The Group derives its revenue mainly from rental contracts with tenants.

#### Disaggregation of revenue

	1/10/2021- 31/03/2022 UK£	1/1/2021- 30/09/2021 UK£
Rent receivable	11.900.375	18.113.679
Other income from property	414.258	619.546
	<u>12.314.633</u>	<u>18.733.225</u>

# EASTERNMED REAL ESTATE CAPITAL PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 9. Rental expenses

	1/10/2021- 31/03/2022	1/1/2021- 30/09/2021
	UK£	UK£
Property rates and taxes	59.724	51.872
Energy expenses	93.436	43.428
Repairs and maintenance	312.281	492.572
Electricity	50.594	72.769
Water supply and cleaning	29.828	41.925
Insurance	252.621	166.626
Sundry expenses	298	3.390
Other professional fees	101.438	37.377
Agent management fees	218.366	616.976
Salaries and wages abroad	92.496	146.168
	<b>1.211.082</b>	<b>1.673.103</b>

### 10. Other operating income

Compensation for damages	-	3.115.744
Compensation for early termination of rental contracts	24.293	186.404
	<b>24.293</b>	<b>3.302.148</b>

### 11. Administration expenses

	1/10/2021- 31/03/2022	1/1/2021- 30/09/2021
	UK£	UK£
Common expenses	396	633
Municipality taxes	246	-
Annual levy	444	3.484
Electricity	150	1.845
Water supply and cleaning	1.287	1.181
Insurance	-	41.488
Repairs and maintenance	1.175	440
Sundry expenses	921	14.538
Certification and legalisation expenses	17	-
Auditors' remuneration - current period	39.994	38.279
Auditors' remuneration for the statutory audit of annual accounts	3.624	7.168
Auditors' remuneration for other non-audit services	12.637	19.459
Auditors' remuneration - prior years	(3.659)	(518)
Accounting fees	56.060	15.100
Legal fees	13.906	31.308
Other professional fees	129.707	177.517
Overseas travelling	9.037	-
Depreciation of right-of-use assets	31.865	47.953
Depreciation	49	93
	<b>297.856</b>	<b>399.968</b>

# EASTERNMED REAL ESTATE CAPITAL PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 12. Finance income/(costs)

	1/10/2021- 31/03/2022 UK£	1/1/2021- 30/09/2021 UK£
<b>Finance income</b>		
Bank interest	-	349
Interest on debentures	<b>369.983</b>	253.094
Realised foreign exchange profit	<b>1.517</b>	62.290
Unrealised foreign exchange profit	<b>12.342</b>	667
Other finance income	<b>4.503</b>	-
<b>Bank and other loans interest</b>	<b>388.345</b>	316.400
<b>Finance costs</b>		
<b>Interest expense</b>		
Loan interest	<b>(201.560)</b>	(327.228)
Interest expense on lease liabilities	<b>(58.935)</b>	(88.497)
Interest on taxes	-	(1.181)
<b>Sundry finance expenses</b>		
Bank charges	<b>(10.552)</b>	(16.872)
<b>Net foreign exchange losses</b>		
Realised foreign exchange loss	<b>(12)</b>	(13.902)
	<b>(271.059)</b>	(447.680)
<b>Net finance income/(costs)</b>	<b>117.286</b>	(131.280)

### 13. Tax

	1/10/2021- 31/03/2022 UK£	1/1/2021- 30/09/2021 UK£
Corporation tax	<b>12.139</b>	6.405
Overseas tax	<b>1.785.327</b>	3.666.102
<b>Charge for the period</b>	<b>1.797.466</b>	3.672.507

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

	1/10/2021- 31/03/2022 UK£	1/1/2021- 30/09/2021 UK£
Profit before tax	<b>7.850.557</b>	19.686.062
Tax calculated at the applicable tax rates	<b>981.320</b>	2.460.758
Tax effect of expenses not deductible for tax purposes	<b>416.403</b>	-
Tax effect of allowances and income not subject to tax	<b>(1.385.584)</b>	(2.454.353)
Overseas tax in excess of credit claim used during the period	<b>1.785.327</b>	3.666.102
<b>Tax charge</b>	<b>1.797.466</b>	3.672.507

The corporation tax rate in Cyprus is 12,5%. In addition, 75% of the gross rents receivable are subject to defence contribution at the rate of 3%.

# EASTERNMED REAL ESTATE CAPITAL PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 13. Tax (continued)

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

The Group's rental and other income derives from permanent establishments outside of the Republic and is not taxed in the Republic.

The corporation tax rate in Switzerland can reach up to 30% as companies are taxed on their net profits, the amount of their share capital and the amount of receivable rental income and in the United Kingdom the corporation tax rate is 19%.

### 14. Right-of-use assets

	<b>Land and buildings</b> UK£
<b>Cost</b>	
Balance at 1 January 2021	5.881.022
Exchange differences	<u>(1.460)</u>
<b>Balance at 30 September 2021/ 1 October 2021</b>	<b><u>5.879.562</u></b>
<b>Balance at 31 March 2022</b>	<b><u>5.879.562</u></b>
<b>Depreciation</b>	
Balance at 1 January 2021	345.315
Charge for the period	<u>47.953</u>
<b>Balance at 30 September 2021/ 1 October 2021</b>	<b><u>393.268</u></b>
Charge for the period	<u>31.865</u>
<b>Balance at 31 March 2022</b>	<b><u>425.133</u></b>
<b>Net book amount</b>	
<b>Balance at 31 March 2022</b>	<b><u>5.454.429</u></b>
<b>Balance at 30 September 2021</b>	<b><u>5.486.294</u></b>

The Group through one of its subsidiary purchased a leasehold property in London in 2014. The leasehold period is 109 years and expires on 7 June 2123 and the leasehold agreement provides for a yearly payment of ground rent.

The parent company entered into an agreement in 2020 with a third party for the lease of its office in Nicosia. The lease period is 5 years and expires on 30 June 2025, with the option for the company to extend it by 2 years with the same terms.

Amounts recognised in profit and loss:

	<b>1/10/2021- 31/03/2022</b> UK£	<b>1/1/2021- 30/09/2021</b> UK£
Depreciation expense on right-of-use assets	<b>(31.865)</b>	(47.953)
Interest expense on lease liabilities	<b><u>(58.935)</u></b>	<b><u>(88.497)</u></b>

# EASTERNMED REAL ESTATE CAPITAL PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 15. Investment properties

	31/03/2022 UK£	30/09/2021 UK£
Balance at 1 October/1 January	592,500.605	599,476.715
Exchange differences	5,929.695	(6,976.110)
<b>Balance at 31 March/30 September</b>	<b>598,430.300</b>	<b>592,500.605</b>

#### Fair value hierarchy

The fair value of investment properties owned by the Group as at 30 September 2021 was determined by the Board of Directors of each of the Group companies at GBP592,500.605 on the basis of information available to the Boards of the companies for the properties and general information on current conditions of the immovable property market in the UK and Switzerland. The fair value of the investments properties was the same as the last valuation available to the companies prepared by external, independent professional property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued dated 26 April 2021 (except the property jointly owned by the companies Medspectrum Limited and Alphaprecious Ltd which is considered by the Board of Directors of the companies to be equal to the acquisition price of the property purchased in February 2020 at GBP191,247,440).

The group through two of its subsidiaries Medspectrum Limited and Alphaprecious Ltd acquired on 13 February 2020 100% of the units of Thames Court Unit Trust which was the registered owner of a property called Thames Court in London, UK. It was the intention of the Board of Directors of the Company to dissolve the Trust the earliest possible and in fact the Trust has been dissolved on 19 March 2021 and a distribution-in-specie of Thames Court was made to the Unit Holders on 19 March 2021 and the subsidiaries as from that date were the registered owners of 100% of the Thames Court property. The Board of Directors of the two subsidiaries, on the basis of the accounting principle that substance prevails over legal form, considered that the risks and rewards deriving from the ownership of the property were undertaken by the Companies from 13 February 2020, date that the Companies jointly purchased the 100% of the units of Thames Court Unit Trust, the legal owner of the Thames Court building. The financial statements of the subsidiaries have been prepared on the basis that the subsidiaries were the owners of the 100% share of the property as from that date. The Companies have no market valuation of the property from an external, independent property professional valuer. The Board of Directors consider that, on the basis of information available to the Board for the Company's property and general information on current conditions of the immovable property market in the UK, the current market value of the property is not materially different from the purchase price of the property agreed and paid in February 2020 with the third party seller of the property.

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

#### Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Description	Fair value at 31 March 2022 UK£	Valuation technique	Unobservable input	Range (weighted average)	Relationship of unobservable inputs to fair values
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# EASTERNMED REAL ESTATE CAPITAL PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 15. Investment properties (continued)

<u>Description</u>	<u>Fair value at</u> <u>31 March</u> <u>2022</u> <u>UK£</u>	<u>Valuation</u> <u>technique</u>	<u>Unobservable</u> <u>input</u>	<u>Range</u> <u>(weighted</u> <u>average)</u>	<u>Relationship of</u> <u>unobservable inputs</u> <u>to fair values</u>
Commercial in London	120.850.000	Income approach	Assessment of the location of the property	Market value of the building UK£ 949 per square foot.	The fair value will increase/(decrease) if the rental income increases/(decreases) and the corresponding return increases/(decreases)
Commercial in London	38.200.000	Income approach	Assessment of the location of the property	Market value of the building UK£ 590 per square foot.	The fair value will increase/(decrease) if the rental income increases/(decreases) and the corresponding return increases/(decreases)
Commercial (office and shops) building in London	32.750.000	Income approach	Assessment of the location of the property	Market value of the building UK£ 679 per square foot.	The fair value will increase/(decrease) if the rental income increases/(decreases) and the corresponding return increases/(decreases)
Commercial in London	13.550.000	Income approach	Assessment of the location of the property	Market value of the building UK£ 806 per square foot.	The fair value will increase/(decrease) if the rental income increases/(decreases) and the corresponding return increases/(decreases)
Commercial (office and shops) building in London	28.500.000	Income approach	Assessment of the location of the property	Market value of the building UK£ 647 per square foot.	The fair value will increase/(decrease) if the rental income increases/(decreases) and the corresponding return increases/(decreases)
Commercial in London	25.100.000	Income approach	Assessment of the location of the property	Market value of the building UK£ 677 per square foot.	The fair value will increase/(decrease) if the rental income increases/(decreases) and the corresponding return increases/(decreases)



# EASTERNMED REAL ESTATE CAPITAL PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 15. Investment properties (continued)

<u>Description</u>	<u>Fair value at</u> <u>31 March</u> <u>2022</u> <u>UK£</u>	<u>Valuation</u> <u>technique</u>	<u>Unobservable</u> <u>input</u>	<u>Range</u> <u>(weighted</u> <u>average)</u>	<u>Relationship of</u> <u>unobservable inputs</u> <u>to fair values</u>
Commercial in London	4.525.000	Income approach	Assessment of the location of the property	Market value of the building UK£ 530 per square foot.	The fair value will increase/(decrease) if the rental income increases/(decreases) and the corresponding return increases/(decreases)
Commercial (office and shops) building in Geneva	91.830.532	Income approach	Assessment of the location of the property	Market value of the building UK£ 647 per square foot.	The fair value will increase/(decrease) if the rental income increases/(decreases) and the corresponding return increases/(decreases)
Commercial (office and shops) building in Geneva	51.877.328	Income approach	Assessment of the location of the property	Market value of the building UK£ 2.036 per square foot.	The fair value will increase/(decrease) if the rental income increases/(decreases) and the corresponding return increases/(decreases)
Commercial in London	191.247.440	Income approach	Assessment of the location of the property	Market value of the building UK£ 840 per square foot.	The fair value will increase/(decrease) if the rental income increases/(decreases) and the corresponding return increases/(decreases)

Details of investment properties are as follows:

<b>Type</b>	<b>31/03/2022</b> <b>UK£</b>	<b>30/09/2021</b> <b>UK£</b>
Commercial buildings in London	<b>454.755.439</b>	454.722.439
Commercial buildings in Geneva	<b>143.674.861</b>	137.778.166
	<b><u>598.430.300</u></b>	<u>592.500.605</u>

During the period, the Group received rental income amounting to UK£11.900.375.

# EASTERNMED REAL ESTATE CAPITAL PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 16. Intangible assets

	Goodwill UK£
<b>Cost</b>	
Balance at 1 January 2021	<u>3,149,872</u>
<b>Balance at 30 September 2021/ 1 October 2021</b>	<b><u>3,149,872</u></b>
<b>Balance at 31 March 2022</b>	<b><u>3,149,872</u></b>
<b>Net book amount</b>	
<b>Balance at 31 March 2022</b>	<b><u>3,149,872</u></b>
<b>Balance at 30 September 2021</b>	<b><u>3,149,872</u></b>

Goodwill represents the premium paid to acquire the below noted companies (note 21) during the year.

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

- Alphafocus Ltd
- IHC Immobilien Limited
- Alphaprecious Limited
- Medspectrum Limited

### 17. Investments in subsidiaries

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	Holding %	<b>31/03/2022 UK£</b>	30/09/2021 UK£
Medholdings Company Limited	Cyprus	Investments in properties	100	<b>100,980.895</b>	100,980.895
Classpremium Ltd	Cyprus	Investments in properties	100	<b>38,825.242</b>	38,462.276
Interclass Company Limited	Cyprus	Investments in properties	100	<b>34,008.469</b>	33,377.911
Alphaforum Ltd	Cyprus	Investments in properties	100	<b>18,350.000</b>	18,350.000
Forumprime Ltd	Cyprus	Investments in properties	100	<b>29,542.747</b>	28,978.058
Alphafocus Ltd	Cyprus	Investments in properties	100	<b>21,328.906</b>	21,328.908
Alphaspectrum Ltd	Cyprus	Investments in properties	100	<b>4,494.290</b>	4,529.166
IHC Immobilien Limited	Domiciled in Cyprus	Investments in properties	100	<b>58,891.314</b>	58,891.314
Medcenter Holdings Ltd	Cyprus	Investments in properties	100	<b>36,893.682</b>	21,603.287
Alphaprecious Ltd	Cyprus	Investments in properties	100	<b>94,711.332</b>	94,711.332
Medspectrum Limited	Cyprus	Investments in properties	100	<b><u>94,709.641</u></b>	<u>94,709.641</u>
				<b><u>532,736.518</u></b>	<u>515,922.788</u>

# EASTERNMED REAL ESTATE CAPITAL PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 18. Trade and other receivables

	31/03/2022	30/09/2021
	UK£	UK£
Trade receivables	1,023,594	1,445,950
Agents	2,262,016	3,736,431
Less: credit loss on trade receivables	(77,595)	(162,785)
Trade receivables - net	3,208,015	5,019,596
Receivables from related parties (Note 29.1)	6,532	91,193
Shareholders' current accounts - debit balances (Note 29.3)	32,132	32,132
Receivables from other related parties (Note 29.1)	-	12,055
Deposits and prepayments	457,917	303,350
Deferred expenses	-	9,450
Other receivables	6,065	3,788
	<b>3,710,661</b>	<b>5,471,564</b>

The Group does not hold any collateral over the trading balances.

Movement in provision for Credit loss on trade receivables:

	31/03/2022	30/09/2021
	UK£	UK£
Balance at 1 October/1 January	162,785	135,367
(Reversal)/increase in expected credit loss recognised on trade receivables	(85,190)	27,418
<b>Balance at 31 March/30 September</b>	<b>77,595</b>	<b>162,785</b>

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

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

### 19. Financial assets at fair value through profit or loss

	31/03/2022	30/09/2021
	UK£	UK£
Balance at 1 October/1 January	13,704,837	-
Additions	10,513,758	13,779,736
Disposals	(10,500,000)	-
Change in fair value	(3,177,295)	(74,899)
<b>Balance at 31 March/30 September</b>	<b>10,541,300</b>	<b>13,704,837</b>

	Fair values	Cost	Fair values	Cost
	31/03/2022	31/03/2022	30/09/2021	30/09/2021
	UK£	UK£	UK£	UK£
Debt securities on a Stock Exchange	-	3,279,736	3,176,327	3,279,736
Debt securities	10,541,300	10,500,000	10,528,510	10,500,000
	<b>10,541,300</b>	<b>13,779,736</b>	<b>13,704,837</b>	<b>13,779,736</b>

# EASTERNMED REAL ESTATE CAPITAL PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 19. Financial assets at fair value through profit or loss (continued)

The financial assets at fair value through profit or loss comprise of marketable debentures that are listed on a stock exchange and are valued at market value at the close of business on 31 March by reference to the Stock Exchange quoted bid prices and the non listed securities that are non-marketable bonds with financial institutions that are valued at cost plus accrued interest. Financial assets at fair value through profit or loss are classified as current assets because they are expected to be realised within twelve months from the reporting date.

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

### 20. Cash at bank

	31/03/2022 UK£	30/09/2021 UK£
Cash at bank	27.047.877	20.568.052
Tenants' bank deposits	354.505	500.370
	<u>27.402.382</u>	<u>21.068.422</u>

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

	31/03/2022 UK£	30/09/2021 UK£
Cash at bank	27.047.877	20.568.052
Bank overdrafts (Note 23)	(1.061)	(4.507)
	<u>27.046.816</u>	<u>20.563.545</u>

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

### 21. Share capital and share premium

	31/3/2022 Number of shares	31/3/2022 €	31/3/2022 UK£	30/09/2021 Number of shares	30/09/2021 UK£	30/09/2021 UK£
<b>Authorised</b>						
Ordinary						
shares of €1						
each	675.735.610	743.830.792	435.735.610	435.735.610	503.830.792	435.735.610
Shares issued	-	-	-	240.000.000	240.000.000	205.932.000
<b>Balance at 30</b>						
<b>September</b>						
<b>2021</b>	<u>675.735.610</u>	<u>743.830.792</u>	<u>435.735.610</u>	<u>675.735.610</u>	<u>743.830.792</u>	<u>641.667.610</u>

# EASTERNMED REAL ESTATE CAPITAL PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 21. Share capital and share premium (continued)

Issued and fully paid	Number of shares	Share capital UK£	Share premium UK£	Total UK£
Balance at 1 January 2021	503.830.792	431.046.749	-	431.046.749
Issue of additional shares	135.595.736	116.347.921	563.124	116.911.045
<b>Balance at 30 September 2021/ 1 October 2021</b>	<b>639.426.528</b>	<b>547.394.670</b>	<b>563.124</b>	<b>547.957.794</b>
<b>Balance at 31 March 2022</b>	<b>639.426.528</b>	<b>547.394.670</b>	<b>563.124</b>	<b>547.957.794</b>

### Authorised capital

On 20 July 2021 the Company's authorised capital was increased from 503.830.792 ordinary shares of nominal value of €1 each to 743.830.792 ordinary shares of nominal value of €1 each by creating 240.000.000 new ordinary shares of nominal value of €1 each.

### Issued capital

On 2 September 2021 the Company issued 135.595.736 ordinary shares of €1 to the price of €1,004839995558562 each (share premium €0,004839995558562).

### 22. Other reserves

	Non- refundable advances UK£	Statutory reserve UK£	Translation reserve UK£	Total UK£
Balance at 1 January 2021	-	-	4.599.231	4.599.231
Exchange difference	-	-	(4.051.684)	(4.051.684)
<b>Balance at 30 September 2021/ 1 October 2021</b>	<b>-</b>	<b>-</b>	<b>547.547</b>	<b>547.547</b>
Exchange difference	-	-	3.677.593	3.677.593
Non-refundable advances from shareholders	19.465.144	-	-	19.465.144
<b>Balance at 31 March 2022</b>	<b>19.465.144</b>	<b>-</b>	<b>4.225.140</b>	<b>23.690.284</b>

The non-refundable advances from shareholders is made available to the Board of Directors for future increases of the share capital of the Company.

Share premium is not available for distribution.

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Swiss franc) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations are included in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

# EASTERNMED REAL ESTATE CAPITAL PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 23. Borrowings

	31/03/2022 UK£	30/09/2021 UK£
<b>Current borrowings</b>		
Bank overdrafts (Note 20)	1.061	4.507
Bank loans	<u>17.707.774</u>	<u>31.788.177</u>
	<u>17.708.835</u>	<u>31.792.684</u>
<b>Non-current borrowings</b>		
Bank loans	18.128.000	18.170.000
Other loans	<u>9.796.124</u>	<u>9.566.703</u>
	<u>27.924.124</u>	<u>27.736.703</u>
<b>Total</b>	<u>45.632.959</u>	<u>59.529.387</u>

The Group through one of its subsidiaries was granted 2 loans from Nike Shipholder Corporation on 28 December 2016 and 7 May 2018 respectively classified under other loans. The first loan bears interest of 1.5% per annum and is repayable with 10 annual installments of CHF 1.162.500 each, on December 29 of each year. The second loan bears interest of 1.5% per annum and is repayable with 6 annual installments of CHF 500.000 each on December 29 of each year.

During 3 January 2022, the Company was entered into supplement agreements to the other loan agreements, where a grace period of 2 years was agreed by the two parties of the loan agreements for the repayment of the principal and interest instalments.

The Group through two of its subsidiaries was granted two bank loans. The bank loan 1 is repayable by quarterly installments of CHF 500.000 for each year and bears interest of Libor plus an agreed margin and a minimum of 0,71%, payable quarterly. The bank loan 2 is a Lombard credit facility repayable on demand which bears interest of 0,40% payable quarterly.

Maturity of non-current borrowings:

	31/03/2022 UK£	30/09/2021 UK£
Between one to two years	6.035.800	3.160.000
Between two and five years	18.107.400	4.740.000
After five years	<u>3.780.924</u>	<u>19.836.703</u>
	<u>27.924.124</u>	<u>27.736.703</u>

The weighted average effective interest rates at the reporting date were as follows:

	31/03/2022 %	30/09/2021 %
Bank loan 1	,71	,71
Bank loan 2	,4	,4
Other loans	1,5	1,5

# EASTERNMED REAL ESTATE CAPITAL PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 24. Lease liabilities

	2022 UK£	2021 UK£
Balance at 1 October/1 January	5.868.633	5.921.988
Repayments	(72.328)	(139.992)
Interest	58.935	88.497
Exchange difference	(730)	(1.860)
<b>Balance at 31 March/30 September</b>	<b>5.854.510</b>	<b>5.868.633</b>

	Minimum lease payments 31/03/2022 UK£	Interest 31/03/2022 UK£	Principal 31/03/2022 UK£	Minimum lease payments 30/09/2021 UK£	Interest 30/09/2021 UK£	Principal 30/09/2021 UK£
Within one year	145.471	69.006	76.465	135.471	69.665	65.806
Between one and five years	732.507	654.320	78.187	708.507	605.538	102.969
After five years	12.817.927	7.118.069	5.699.858	12.817.927	7.118.069	5.699.858
	<b>13.695.905</b>	<b>7.841.395</b>	<b>5.854.510</b>	<b>13.661.905</b>	<b>7.793.272</b>	<b>5.868.633</b>

During 2014 the Group through one of its newly acquired subsidiary acquired leasehold property in London. The leasehold period is 109 years and expires on 17 June 2123 and the leasehold agreement provides for a yearly payment of ground rent. entered into a lease rental agreement for a property in London.

During the year 2020, the parent company entered into an agreement for the lease of its office. The lease period is 5 years and expires on 30 June 2015.

All lease obligations are denominated in United Kingdom Pounds.

The fair values of lease obligations approximate to their carrying amounts as presented above.

The Group's obligations under leases are secured by the lessors' title to the leased assets.

### 25. Trade and other payables

	31/03/2022 UK£	30/09/2021 UK£
Trade payables	120.648	380.903
Prepayments from tenants	1.018.454	688.130
Social insurance and other taxes	-	103.428
VAT	931.304	1.054.409
Shareholders' current accounts - credit balances (Note 29.4)	46.450	4.221.199
Accruals	486.206	336.471
Other creditors	60.626	37.894
Deferred income	3.704.999	2.280.771
Payables to fellow subsidiaries (Note 29.2)	99	3.299
Payables to other related parties (Note 29.2)	270	-
	<b>6.369.056</b>	<b>9.106.504</b>

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

# EASTERNMED REAL ESTATE CAPITAL PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 26. Deferred income

	31/03/2022	30/09/2021
	UK£	UK£
Client advances	<u>1.554.819</u>	<u>2.383.397</u>
	<u>1.554.819</u>	<u>2.383.397</u>

### 27. Current tax liabilities

	31/03/2022	30/09/2021
	UK£	UK£
Corporation tax	9.200	(2.947)
Special contribution for defence	663	663
Overseas tax	<u>2.578.945</u>	<u>7.003.042</u>
	<u>2.588.808</u>	<u>7.000.758</u>

### 28. Operating Environment of the Group

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

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

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

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

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

The Group has no trading direct exposure to Russia, Ukraine and Belarus as the group owns no properties in these countries and none of its properties are rendered out to tenants from these countries. However, the company has invested in debentures issued by two Russian Banks which are, since the war started, not traded in the Moscow Stock Exchange and are in default for payment of interest to the debenture holders. The specific investments have already been fully impaired in the financial statements and have reduced the Group's profitability.



# EASTERNMED REAL ESTATE CAPITAL PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 28. Operating Environment of the Group (continued)

Furthermore, the increasing energy prices, fluctuations in foreign exchange rates, unease in stock market trading, rises in interest rates, supply chain disruptions and intensified inflationary pressures may indirectly impact the operations of the Group. The indirect implications will depend on the extent and duration of the crisis and remain uncertain.

Management has considered the unique circumstances and the risk exposures of the Group and has concluded that there will be no further significant impact in the Group's profitability position. The event is not expected to have an immediate material impact on the business trading operations. Management will continue to monitor the situation closely and will assess the possible impact on the Group's activities in case the crisis becomes prolonged.

### 29. Related party transactions

As of 2 September 2021, the Company's share capital is held by the companies Kosmima Holdings Limited, Oceanroutes Shipping and Trading Limited, Seas of Levante Shipping and Financing Limited, Medventure Shipping Corporation Limited and Medvanguard Shipping Corporation Limited which own 10,82407%, 7,19629%, 7,19629%, 7,19629%, 7,19629% respectively (before 2 September 2021 they owned 13.74%, 9.13%, 9.13%, 9.13% and 9.13% respectively) and by the non-Cyprus tax resident individuals Mr. Athanasios Martinos, Mrs Marina Martinou, Mrs Marina Mathilde Martinou, Mrs Georgia Chatzi and Mrs Elli Ioannou Chatzi who own 20,43396%, 20,22501%, 19,72866%, 0,00157% and 0,00157% respectively (before 2 September 2021 they owned 16.79%, 16.79%, 16.16%, 0% and 0% respectively).

The following transactions were carried out with related parties:

#### 29.1 Receivables from related parties (Note 18)

<u>Name</u>	<u>Nature of transactions</u>	<b>31/03/2022</b> <b>UK£</b>	30/09/2021 UK£
Medprestige Limited	Finance	<b>6.532</b>	103.248
		<b>6.532</b>	103.248

The receivables from related parties were provided interest free, and there was no specified repayment date.

#### 29.2 Payables to related parties (Note 25)

<u>Name</u>	<u>Nature of transactions</u>	<b>31/03/2022</b> <b>UK£</b>	30/09/2021 UK£
Easternmed Real Estate ManagementLtd	Finance	<b>369</b>	3.299
		<b>369</b>	3.299

The payables to related parties were provided interest free, and there was no specified repayment date.

#### 29.3 Shareholders' current accounts - debit balances (Note 18)

	<b>31/03/2022</b> <b>UK£</b>	30/09/2021 UK£
Seas of Levante Shipping and Financing Limited	<b>8.033</b>	8.033
Medvanguard Shipping corporation Limited	<b>8.033</b>	8.033
Medventure Shipping Corporation Limited	<b>8.033</b>	8.033
Oceanroutes Shipping and Trading Limited	<b>8.033</b>	8.033
	<b>32.132</b>	32.132

The directors'/shareholders' current accounts are interest free, and have no specified repayment date.

# EASTERNMED REAL ESTATE CAPITAL PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 1 October 2021 to 31 March 2022

### 29. Related party transactions (continued)

#### 29.4 Shareholders' current accounts - credit balances (Note 25)

	31/03/2022	30/09/2021
	UK£	UK£
Shareholders' current accounts	<b>46.450</b>	4.221.199
	<b>46.450</b>	4.221.199

The shareholders' current accounts are interest free, and have no specified repayment date.

### 30. Contingent liabilities

The Group had no contingent liabilities as at 31 March 2022.

### 31. Commitments

The Group had no capital or other commitments as at 31 March 2022.

### 32. Events after the reporting period

As explained in note 28 the geopolitical situation in Eastern Europe intensified on 24 February 2022, with the commencement of the conflict between Russia and Ukraine. As at the date of authorising these financial statements for issue, the conflict continues to evolve as military activity proceeds and additional sanctions are imposed.

Depending on the duration of the conflict between Russia and Ukraine, and continued negative impact on economic activity, the Group might experience further negative results, and liquidity restraints and incur additional impairments on its assets in 2022 which relate to new developments that occurred after the reporting period.

**Independent auditor's report on pages 4 to 6**