

## **BUSINESS STRATEGY AND PROSPECTS**

### **BUSINESS DEVELOPMENT PLAN FINANCING**

The primary purpose of the listing on the Cyprus Stock Exchange is to facilitate the Company's capital raising needs (equity and/or debt) in order to finance its business development plan. This business development plan focuses on the construction of the Total Tower Commercial and Residential Building in Limassol, Cyprus.

The successful implementation of this value-oriented business plan is expected to improve significantly the shareholder's value.

The total construction cost of the project is estimated by the Company at €32.627.461.

The successful implementation of the Company's business development plan is based on the assumption that the Company will be able to raise this amount of new capital.

Furthermore, being a listed company on a recognized EU stock exchange is expected to improve investor transparency and share liquidity.

The Company has developed a capital raising plan which includes road shows to investors in Cyprus and abroad, contacts with institutional investors interested in private equity investments and contacts with major developers and contractors.

The company has not started activities for development of its land as yet.

The project has a planning permit dated 20/9/2017.

The company has studied various development scenarios (as presented in the business plan) but no further action or new business plans have been prepared.

### **THE LOCAL REAL ESTATE MARKET**

The economic and political situation in Cyprus has begun to improve with significant signs of recovery. The increase in real estate sales in the last two years is obvious, especially in real estate properties of the city of Limassol.

The main reason for this increased sales growth is the motive by foreign non-EU citizens to secure the Cypriot, and thus the EU Citizenship in order to be able to reside, work, travel and own and manage a business in any of the EU states without limitations. The island's attractive tax system along with its high standard of living, favorable climate, living safety and high quality of education and medical care are fundamental to the country's residency attractiveness.

The advantages of Cyprus as a tourist center are well known. The island's location is a crossroads of three continents, within walking distance of the tourist markets of Europe, the Middle East and Africa. The magnificent beaches, the mild climate, the natural beauties, the rich archeological and cultural heritage and the hospitality of the residents, are advantages that have been established internationally.

The province of Limassol, in particular, is considered the most developed tourist area of the island, with a cosmopolitan character. It includes from state hotels, to small tourist units and apartments, nightclubs, leisure centers, shops and more.

The tourist development of Limassol was mainly on the east side of the city and is distinguished for its pleasant environment, excellent accessibility to airports, ports, other cities and the countryside.

## **THE LAND PROPERTY UNDER CONSIDERATION**

From a purely local point of view, the prospects and potential for an immediate development of a real estate in Limassol are very satisfactory.

In general, the prospects of the property under consideration are considered very good and its marketability is considered relatively high.

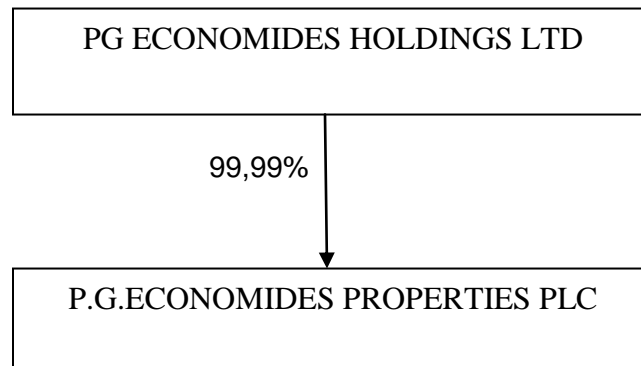
The property under consideration is located opposite the sea between Marina Limassol and the core of the tourist area of Germasogeia in an environment which is suitable for office and residential development of high standards and level. It certainly has elements of uniqueness, both in terms of size and position and in terms of the comforts and services offered.

It is a fact that in recent times there has been a lot of interest from high-income foreigners to acquire coastal apartment and home apartments.

An advantage for the immovable property under consideration is the fact that there is not a large number of vacant land plots on the coastal area of the city of Limassol giving it a rare value. Additionally, its size allows it to take advantage of the incentives set for an additional building factor and floors.

A disadvantage for the property is the fact that its development is based mainly on foreign investors, with the result that the success of the project is vulnerable to external factors. The fact that the project cannot be completed in phases is an additional disadvantage because it forces the entrepreneur to make several sales of the property off plan.

## GROUP STRUCURE



The ultimate beneficial owner (UBO) of P.G. Economides Properties PLC is Mr Petros Economides.

Mr Petros Economides has more than 45 years' experience in the provision of professional services both in Cyprus and abroad. Mr Economides' long business experience and know-how played a catalytic role in the development of the project so far and is expected to continue to be key for the development and commercial exploitation of the project.

Mr Petros Economides is the founder and promoter of Total Serve Group, a group with more than 45 years' experience in the provision of professional services both in Cyprus and abroad.

Totalserve ([www.totalserve.eu](http://www.totalserve.eu)) is a reputable and award winning global service provider established in 1972 and specializing in the fields of international tax planning, corporate, trusts, and fiduciary services. P.G. Economides & Co ([www.pgeconomides.eu](http://www.pgeconomides.eu)) is a renowned accounting and audit firm that began its operations in the early 1970s in the West End of London and has since grown exponentially in terms of both size and reputation.

There is no shareholding relationship between P.G. Economides Properties PLC with any company of the Total Serve Group apart from the sharing of a common ultimate beneficial owner (UBO) Mr. Petros Economides.

## **TOTAL TOWER COMMERCIAL AND RESIDENTIAL BUILDING - BUSINESS PLAN**

### **OPPORTUNITY OVERVIEW**

Designed by the London based and award winning international architects Scott Brownrigg, the Total Tower will undeniably be one of the most elegant commercial buildings in Cyprus.

Total Tower is set to be one of the tallest buildings in Cyprus (height over 100m), located in Limassol, in the southern coast of the island. Limassol is a cosmopolitan city combining modern lifestyle with history and culture. It is the business and financial hub of Cyprus with a large number of local and international companies surrounded by a further network of hotels, restaurants and other venues for entertainment and leisure.

The current planning permit offers:

- 14 floors of offices;
- 2 retails on the ground floor;
- 2 mezzanines
- 274 parking spaces, 143 of which will be available to the public
- Commercial building 6,500 Sq.m.
- 6 whole floor apartments
- Residential building 1,362 Sq.m.
- Approved building coefficient 4,097 Sq.m.
- Building coefficient will increase with an extra 3,766 Sq.m.
- Total building area 7,863 Sq.m.

P.G. Economides Properties PLC (the “Promoters”) have so far acquired the relevant plot of land on the Limassol beachfront, completed the architectural designs and received the Planning Permit for the development of the Total Tower Commercial and Residential Buildings.

### **SPECTACULAR VIEWS**

Total Tower will stand over 100m tall and due to its prime waterfront location, guarantees unobstructed breathtaking views of the Mediterranean Sea.

The Tower’s faceted glass and crystalline geometry maximizes its transparency from the outside and the sea views from within the office floors.

The two Sky Gardens located on floors 7 and 17, give uninterrupted 360° degree views across the city of Limassol.

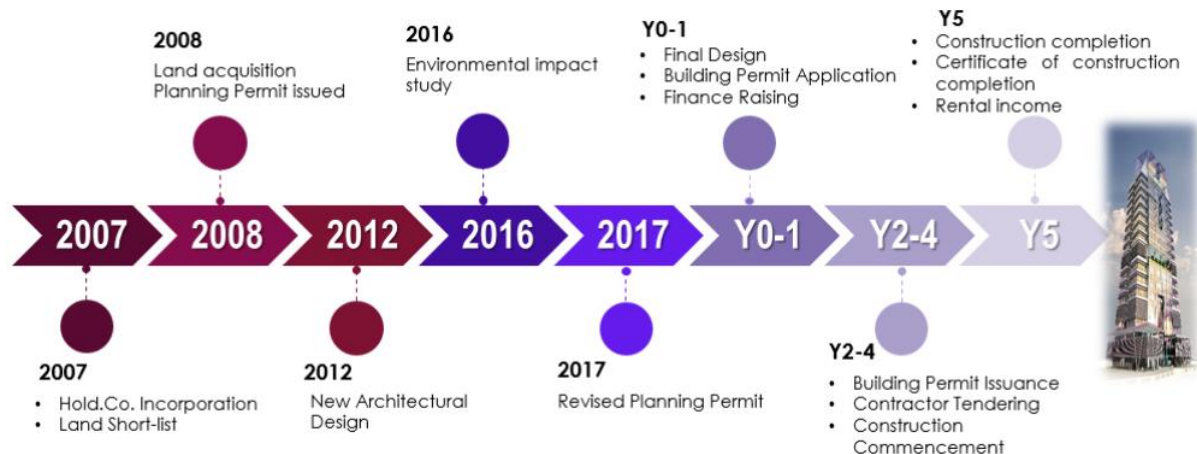
## A KEY LOCATION

Located on a 2,628m<sup>2</sup> in the heart of Limassol, in a much prominently upcoming business and trading district, the Total Tower offers avant-garde professional premises reflecting expertise and reputability. Mediterranean Sea is just a verbatim footstep away.

Total Tower is located on 28th October coastal Avenue, Limassol's most prized seafront street, surrounded by modern office complex buildings classifying the area as upper class business center, providing state-of-the-art facilities and services. It is situated approximately 100 meters northeast of "Crowne Plaza Hotel" and approximately 50 meters east of Debenhams Department store. This part of Limassol, located in the middle of eastern and western side of Limassol, bordered by the intersection of Griva Digeni and the coastal road 28th October Street, from Crowne Plaza Hotel up to the old port and the new Marina, is considered to be an upcoming business hub.

Total Tower is very close to the highway for ease access to all Cyprus' cities and to the city center with direct access to banking and other business services. Limassol has emerged as an ideal Business Location mostly due to the ample benefits it offers to companies desiring to expand their activities. Being a European Union member state, Cyprus provides world-class services and excellent infrastructure that help facilitate the growth of International Businesses.

## Milestone Infographic



## PROJECT DESCRIPTION

Total Tower is an 18 floor commercial building oriented towards commercial uses which also includes a residential separate building located on the east side of the main tower.

Special features:

- Grade A Green tower.
- The tower's faceted glass and crystalline geometry maximizes its transparency from the outside and the sea views from within the office floors.
- Crown Jewel will include up to 300m<sup>2</sup> of photovoltaic cells on its roof.
- Two sky gardens
- The unique floor to floor height of 4.3m
- All common areas are to be illuminated by high quality LED fixtures with movement sensors, which are extremely efficient and save considerable energy and running costs.
- All floors and all offices are to be serviced by plant rooms located on different heights, leaving open the possibility to have a combination of the Air Conditioning and Heating via VRV system with heat pumps which adds to the efficiency of the building.
- The tower will also incorporate cooling, rain water harvesting, integral automated glazing cavity solar blinds as well as four spacious lifts.

**Table: Area Breakdown**

Development Type	Number of Floors	Number of Units
Office	14	14
Apartment	6	6
Shop	1.5+1.5	2
Basement Parking	5	267 *

\*Basement parking: 274 slots of which 143 are public

## SKY GARDENS

The two Sky Gardens positioned in the middle and on the top of the tower floors 7 and 17, boost its Green personality and the stylish way of social encountering. They give uninterrupted 360° degree views across the city of Limassol. They are truly unique spaces that have been designed to create an open and vibrant place to reenergize. Possible uses for the Sky Gardens areas include a gym, lounge area for relaxation, reading, meetings, gallery, library etc.

## IMPRESIVE WORKING ENVIRONMENT

The elegant shape of Total Tower rising 18 floors above Limassol, sets new standards in commercial tower design and world class office facilities. All workspaces, offices and conference rooms strike magnificent sea views, reinforcing employee engagement and wellness and offering a larger corporate social responsibility framework.

The Tower also offers 2 levels of Sky Gardens that feature 360-degree bay and city views. Both Sky Gardens can be used as common areas for the benefit of all residents, gym, meeting point, library, gallery, lounge or wine bar. The Total Tower will offer a unique working experience (4.3m height on each floor) where comfort and convenience mingle. At Total Tower you will not only find state-of-the-art office facilities, but also curated shops and restaurants where shopping and dining experience can be enjoyed.

## GRADE A GREEN TOWER

Commissioned to aid and persuade planning authorities that the Tower would not impose the city skyline, but would in fact start to create a new era in the history of energy efficient and self-sustainable buildings.

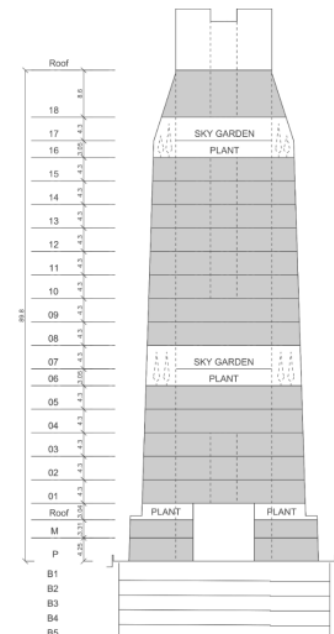
The finest and most elegant materials will be used for the construction of the tower. Sustainability is the focal point and the structure qualifies a Grade A Green tower with maximum energy efficiency. 300sq m. of photovoltaic cells will generate 30kw per hour, 240kw per day.

The Tower is capped by a fully glazed cut crystal structure at the top, incorporating photovoltaic arrays and LED light fixtures which will illuminate this feature by night, creating a powerful visual reference point along the Limassol coast.

All common areas are illuminated by LED fixtures with movement sensors which are extremely efficient and save considerable energy and running costs.

## Facts and Figures

• Land plot size	2,628m <sup>2</sup>
• Revised planning permit (20/09/2017)	ΠΑ 12913
• Area to build (revised planning permit)	
- Commercial building	6,501m <sup>2</sup>
- Residential building	<u>1,362m<sup>2</sup></u>
Total	<u>7,863m<sup>2</sup></u>
• Possibility to transfer (at a cost) building coefficient from listed buildings	200 to 800m <sup>2</sup>
• Number of basement parking spaces	
- Public parking spaces	143
- Private parking spaces	<u>131</u>
Total	<u>274</u>
• Number of building floors	
- Basement parking spaces	4.5
- Ground & mezzanine shops (1.5+1.5)	3
- Offices	14
- Mechanical floors	2
- Sky Gardens	2
- Total Residence	6
• Building height	
- Main building	91m
- Building crown	<u>12m</u>
Total	<u>103m</u>
• Floor to floor height	4.3m
• Last floor offices, floor to floor height	8.6m
• Building crown covered in photovoltaics (approx.)	300m <sup>2</sup>
• Public square in front of building	657m



## TOTAL RESIDENCE

The modern residential building will consist of 6 Luxury floor apartments just a few steps from the beach.

Each apartment covers 246m<sup>2</sup> (covered and uncovered areas) and comprises of a lavish entrée and spacious living room area followed by a large dining area and upgraded lighting design for a spectacular ambiance.

Its grand kitchen has premium stainless steel appliances and stylish marble flooring. The 3 large bedrooms all have solid wooden floors while their en-suite bathrooms are designed to combine luxury and comfort.

Automation systems are fitted throughout each apartment, offering functionality and simplicity in using lighting and sound.

Furnished with top range materials, each apartment is uniquely designed.

The Floor area analysis of Total Residence is:

Floor	Use	Area m <sup>2</sup>	Covered Veranda m <sup>2</sup>	Common Area m <sup>2</sup>	Total Area m <sup>2</sup>
1st	Apartment 1	198	8	40	246
2nd	Apartment 2	198	8	40	246
3rd	Apartment 3	198	8	40	246
4th	Apartment 4	198	8	40	246
5th	Apartment 5	198	8	40	246
6th	Apartment 6	198	8	40	246

## ALTERNATIVE SCENARIOS FOR THE RESIDENTIAL BLOCK

It is noted that there is also a possibility of consolidating the Total Residence with the Total Tower. This would provide more premium returns to the potential investor on the saleable residential unit, but would prerequisite a revised planning permit application. Such a scenario would also require additional pre-development costs (i.e. architectural, structural engineer, quantity surveyor, mechanical and electrical engineer etc). This scenario is not addressed in Financial Projections and Analysis Part.

## **STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS**

### **Strengths**

- Project with special design features:-unique design by award winning architects, one of the first building over 100m in Limassol, - Sky Gardens offering 360 degrees unobstructed panoramic views of Limassol, etc.
- The main Promoter is a well-established and reputable entrepreneur with extensive local and global networks, providing access to a range of real estate buyers/investors and sales agents.
- Prime location -The project is situated on the beachfront in the heart of Limassol, with close proximity to the city's 5 star hotels, restaurants, bars, etc
- Site easily accessible with direct access from Limassol's main coastal road.
- Existing infrastructure and access to all services (electricity, telecoms, water, etc.)
- Existing permits; the project has initial permits and is ready to start construction within a small period of time, providing a timing advantage over other similar planned developments.

### **Weaknesses**

- The construction of the project cannot be completed in phases, hence the project will need to secure significant off-plan sales/rentals prior to the commencement of the construction.
- The team does not currently have an established in-house sales team. It will have to rely for this on the Promoters and new investors' networks as well as third party agents.

### **Opportunities**

- Total Tower can become a landmark building, appealing to high-profile clientele and be established as one of the main attractions in the city of Limassol.
- Demand for premium sea-front real estate appears to be strong.
- Recent amendments in the Citizenship by investment schemes have reduced relevant investment thresholds and are expected to attract increased investment in Cyprus real estate as a means to secure Cyprus citizenship.

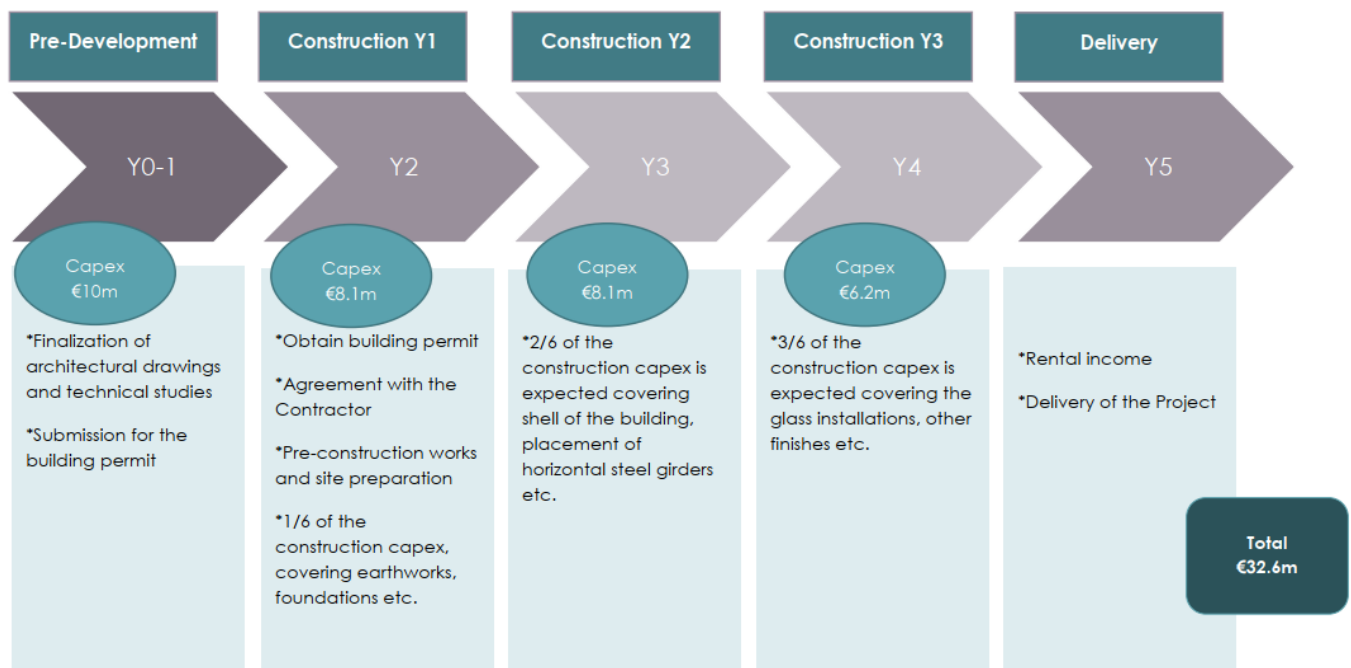
- Cyprus remains an attractive destination for relocation and also doing business (EU membership, security, political stability, transparent legal system, good professional services, favorable taxation, mild climate, natural beauty, etc.). This is expected to fuel further demand.
- A number of new projects (marina, casino, etc.) are expected to enhance Limassol's position as the key lifestyle and business destination in Cyprus.

### Threats

- There are currently a number of competing projects featuring prime quality, sea-front offices and residential units in Limassol (One, Trilogy etc..) which may put downward pressure on prices and returns.
- The Project depends mainly on international rather than local demand and may be subject to relevant exogenous factors.

## Project Timeline and Capex

The timeline below illustrates the construction and operational phases of the Project, together with the relevant capital expenditure.



## **FINANCIAL INFORMATION**

This section presents the projected income statement prepared for the project based on information provided by the Promoters and external designers and consultants (architects, real estate experts, etc.). It is important to note that variances may arise between the projections and the actual results due to unforeseen circumstances and other market conditions

### **Forecasting period**

A period of 12 years was used for the preparation of the financial projections. This period covers in full the rental of all real estate stock. The period of 5 years includes the pre-construction, construction and delivery of the Project either for sale (immediately) or/and for rent.

### **Capital structure**

For the purposes of preparing the financial projections, it has been assumed that the project will be funded mainly by equity capital. It is noted that a number of banking institutions have expressed interest in funding the Project.

### **Capital expenditure**

The construction of the Tower is assumed to take three years to be completed. The construction costs and relevant breakdown during the three year duration have been provided on the basis of input received by the Architects and other consultants.

### **Income from Real Estate**

The rental income relating to the real estate units and are presented in the following pages.

### **Taxation**

We note that, for the purposes of simplicity, the financial projections rely on an approximation of the effect of taxation rather than an accurate calculation. More specifically, it was assumed that the accounting profit before tax is equal to taxable profit. Corporation income tax rate has been assumed to be 12.5% as per current applicable tax laws in Cyprus.

We further note that the financial projections presented do not consider the Implications of indirect tax (VAT).

### **Projected Construction Cost**

The total development cost of the project is estimated at €32.627.461

## **Rental Yield Scenario**

Preventive Maintenance, Proactive Facility Management.

It is ideal the preventive maintenance, proactive facility management services to be offered by the investor. This will benefit the cash flow of the company in the short and long term. Identifying maintenance needs, prioritizing deferred maintenance, and strategizing for long-term building and equipment requirements is at the core of facility management. There are a lot of management services that can be offered to the tenants of the "Total Tower":

- Property Management Fees
- Repairs and Maintenance
- Real Estate Taxes
- Rental Property Insurance
- Homeowners/Property Association Fees
- Utilities
  - Water and Sewer
  - Gas and Electricity
  - Garbage
  - Cable, Phone, Internet
- Pest Control
- Accounting and Legal
- Advertising

An annual fee is calculated below in terms of each Shop / Office square meters. An estimate of €35/m<sup>2</sup> is used for the first 3 years and an increase of 5% every 3 years.

The total annual income in the first year of operation (calendar year 5) from the rental of Shop/Mezzanine and offices is estimated at €5.440.887 and from the rental of apartments at €575.640 (total rental income €6.016.527).

The total annual income in the first year of operation (calendar year 5) from the property management of Shop/Mezzanine and offices is estimated at €265.627 and from the property management of apartments at €51.660 (total rental income €317.287).

Occupancy rate.

Upon completion of the project, occupancy rate is assumed to be 50% of total available units, anticipated to reach full occupancy at the third year of operation (Year 7) and thereon. As per Management, such velocity can be achieved given that such contracts can be pre-agreed during the four-year pre-construction and construction period. As per KPMG primary research, comparable developments in Limassol are currently fully occupied.

Rent indexation.

Assumed rental rates are subject to an inflation increase of 10% on a triennial basis (Y5-Y6-Y7 increase at Y7, Y8-Y9-Y10 Y7 increase at Y10).

# Rental Yield Scenario - Forecast Income Statement

Forecast Income Statement (Shell and Core)												
	Construction Period				Incr. 10%				Incr. 10%			
	Y0-1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12
Monthly Operating Rental Income												
Shop/Mezzanine + Offices	0	0	0	0	5,440,887	5,440,887	5,984,975	5,984,975	5,984,975	6,583,473	6,583,473	6,583,473
Apartments	0	0	0	0	575,640	575,640	633,204	633,204	633,204	696,524	696,524	696,524
<b>Total Rental Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,016,527</b>	<b>6,016,527</b>	<b>6,618,179</b>	<b>6,618,179</b>	<b>6,618,179</b>	<b>7,279,997</b>	<b>7,279,997</b>	<b>7,279,997</b>
% Vacancy Loss	0%	0%	0%	0%	50%	30%	0%	0%	0%	0%	0%	0%
Total Vacancy Loss	0	0	0	0	-3,008,263	-1,804,958	0	0	0	0	0	0
<b>Total Rental Income after Vacancy Loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,008,263</b>	<b>4,211,569</b>	<b>6,618,179</b>	<b>6,618,179</b>	<b>6,618,179</b>	<b>7,279,997</b>	<b>7,279,997</b>	<b>7,279,997</b>
Other monthly income												
Management Services :Euro 35 per sq.m							Incr. 5%			Incr. 5%		
Shop/Mezzanine + Offices	0	0	0	0	265,627	265,627	278,908	278,908	278,908	292,853	292,853	292,853
Apartments	0	0	0	0	51,660	51,660	54,243	54,243	54,243	56,955	56,955	56,955
Total Management Fees	0	0	0	0	317,287	317,287	333,151	333,151	333,151	349,808	349,808	349,808
% Vacancy Loss	0%	0%	0%	0%	50%	30%	0%	0%	0%	0%	0%	0%
Total Vacancy Loss	0	0	0	0	-158,643	-95,186	0	0	0	0	0	0
<b>Total Management Fees after Vacancy Loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>158,643</b>	<b>222,101</b>	<b>333,151</b>	<b>333,151</b>	<b>333,151</b>	<b>349,808</b>	<b>349,808</b>	<b>349,808</b>
<b>Net income from rents and management</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,166,907</b>	<b>4,433,669</b>	<b>6,951,330</b>	<b>6,951,330</b>	<b>6,951,330</b>	<b>7,629,806</b>	<b>7,629,806</b>	<b>7,629,806</b>
Cost of Construction	- 10,088,044	- 8,156,865	- 8,156,865	- 6,225,686								
<b>Total Net Revenue</b>	<b>- 10,088,044</b>	<b>- 8,156,865</b>	<b>- 8,156,865</b>	<b>- 6,225,686</b>	<b>3,166,907</b>	<b>4,433,669</b>	<b>6,951,330</b>	<b>6,951,330</b>	<b>6,951,330</b>	<b>7,629,806</b>	<b>7,629,806</b>	<b>7,629,806</b>
Property Management Expenses					- 69,385	- 97,139	- 148,021	- 148,021	- 148,021	- 157,273	- 157,273	- 157,273
Marketing Expenses	-	-	-	-	- 15,835	- 22,168	- 34,757	- 34,757	- 34,757	- 38,149	- 38,149	- 38,149
Total Operating Expenses	-	-	-	-	- 85,220	- 119,307	- 182,778	- 182,778	- 182,778	- 195,422	- 195,422	- 195,422
<b>Net Operating Income / EBIT</b>	<b>- 10,088,044</b>	<b>- 8,156,865</b>	<b>- 8,156,865</b>	<b>- 6,225,686</b>	<b>3,081,687</b>	<b>4,314,362</b>	<b>6,768,552</b>	<b>6,768,552</b>	<b>6,768,552</b>	<b>7,434,384</b>	<b>7,434,384</b>	<b>7,434,384</b>
Tax on EBIT					- 385,211	- 539,295	- 846,069	- 846,069	- 846,069	- 929,298	- 929,298	- 929,298
<b>Profit / Loss</b>	<b>- 10,088,044</b>	<b>- 8,156,865</b>	<b>- 8,156,865</b>	<b>- 6,225,686</b>	<b>2,696,476</b>	<b>3,775,067</b>	<b>5,922,483</b>	<b>5,922,483</b>	<b>5,922,483</b>	<b>6,505,086</b>	<b>6,505,086</b>	<b>6,505,086</b>

## Notes:

1. Rental increase 10% every 3 years
2. Management services increase 5% every 3 years
3. This is a turnkey construction calculation
4. Cost of Land is not included
5. A percentage of vacancy loss is assumed
6. Rent per m2 is estimated following today's rents on Limassol coast second line buildings, adding 10%
7. First 3 Years are "Under Construction Period"
8. Property management services cost is assumed as €15/m2 for Y4, €16/m2 for Y6, €17/m2 for Y9

## Rental Yield Scenario

The forecasted rental yield is estimated as follows:

## Rental Yield Scenario

### Rental Yield

	EUR	
Land Selling Price	33,000,000	50%
Estimated Construction	32,627,461	50%
Total Investment	65,627,461	100%

	Rental Yield Y4-Y5	Rental Yield Y6-Y8	Rental Yield Y8-Y10
Total Investment	€ 65,627,461	€ 65,627,461	€ 65,627,461
Annual Rent 100%	€ 6,016,527	€ 6,618,179	€ 7,279,997
<b>Yield</b>	<b>9,17%</b>	<b>10,08%</b>	<b>11,09%</b>

Chairman

Signature

Company Stamp

NAME – SURNAME

Petros Economides

P.E. Economides

