IMMO-CROISSANCE SICAV - FIS

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Registered office:
6A, rue Gabriel Lippmann
L-5365 Munsbach
Grand-Duchy of Luxembourg
R.C.S Luxembourg : B 28.872

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Administration

Registered office
Immo-Croissance SICAV-FIS

(until February 4, 2020)
Centre Etoile
11-13 Boulevard de la Foire
L-1528 Luxembourg

(from February 5, 2020)
6a, rue Gabriel Lippmann
L-5365 Schuttrange

BOARD OF DIRECTORS

Chairman
Mr. Peter LANG
3, allée des Charmes
L-1372 Luxembourg

Members
Mr. Jean-François WILLEMS
Havilland Group S.A.
35a, Avenue JF Kennedy
L-1855 Luxembourg

Mr. Marc ARAND
Banque Havilland (Liechtenstein) AG
Austrasse 61,
LI-9490 Vaduz

Administration (Continued)

Administrative agent
(until February 4, 2020)
RBC Investor Services Bank S.A.
14, Porte de France
L-4360 Esch-sur-Alzette

(from February 5, 2020)
ADEPA Asset Management S.A.
6a, rue Gabriel Lippmann
L-5365 Schuttrange

Custodian
(until February 4, 2020)
RBC Investor Services Bank S.A.
14, Porte de France
L-4360 Esch-sur-Alzette

(from February 5, 2020)
Banque Havilland S.A.
35a, Avenue John F. Kennedy
L-1855 Luxembourg

Auditors
PricewaterhouseCoopers, Société coopérative
2, rue Gerhard Mercator
B.P. 1443
L-1014 Luxembourg

Property appraiser
Inowai S.A.
52, route d'Esch
L-1470 Luxembourg

Activity report

Like the previous financial year, 2019 has been a very good year for Immo Croissance SICAV-FIS ("Immo Croissance" or the "Company").

After several years of stringent management by the Company, Edison was finally fully let after substantial renovation. In February 2019, the Company agreed with its majority shareholder, Pillar Securitisation S.à r.l. ("Pillar") a new extension of the existing facility. As a condition to the extension, Pillar required the inclusion of a milestone that the Company shall either refinance the loan or sell one or more property to repay Pillar by an amount of at least EUR 30m before July 31, 2019. In light of this requirement and in the absence of alternative refinancing, the Board of Directors proposed to sell Edison to the AGM dated June 28, 2019.

A structured sales process has subsequently been organized with the support of a sale-side advisor, under the supervision of a big 4 consultant. During the following weeks, around 100 potential investors have been contacted, 39 NDA's have been signed and 8 LOIs have been received. After review and comparison, the Company decided to invite 5 investors to a virtual data room for further due diligence. Four of them confirmed their interest and meetings had been organised in Luxembourg with each investor. Finally, exclusivity was granted to one investor and a sales agreement has been signed on December 19, 2020 for a total consideration of just above EUR 40m, resulting in a profit of EUR 9.2 m.

Following the sale of Edison, our portfolio at year end 2019 consists of 3 buildings, representing a total net value of around EUR 23.3m compared to EUR 23.5m at the end of the previous year. The rental income in 2019 including Edison increased from EUR 2.4m in 2018 to EUR 3.1m by the end of 2019. This increase is mainly due to further letting activity in Edison.

The Company's operating expenses increased to EUR 1.9m in 2019 (EUR 1.5m in 2018) and the financial expenses remained stable at EUR 2.7m in 2019 compared to EUR 2.6m in 2018. The Company closed the financial year 2019 with a net profit of EUR 7.5m primarily influenced by a profit in the sale of Edison amounting to EUR 9,174,252.

The imposing net profit combined with a stable value development of the portfolio has led to an increase net asset value of the Company from EUR 16.6m to EUR 24.1m at the end of 2019. The sale proceeds of the sale of Edison were used to partially repay existing facilities leading to indebtedness ratio of 0.46% by the end of 2019 (69.3% by the end of 2018). By December 31, 2019, the total amount due to the Company´s major lender was EUR 5.9m (including accrued interest), compared to EUR 39.4m the previous year.

Centre Monterey

The Centre Monterey is again fully let, one tenant left the building end of August 2019 but we managed to replace him quickly. No renovation costs have been incurred.

Monterey Residence

On the ground floor of the Monterey Residence, an agreement for a 12 years lease has been signed with Domino's Pizza, starting March 1, 2019. All renovation works have been taken in charge by the tenant and the restaurant finally opened in February 2020. All apartments are let, but one tenant might be leaving during summer 2020.

Activity report (continued)

Hesperange

Our building in Hesperange is still in a transitional phase and the Company has been advised that the new development plan (plan d'aménagement général, "PAG") should be made available by the commune of Hesperange during summer 2020. We have again been approached by several movie production companies who have been renting the Hesperange building for shorter periods since 2016.

The litigation with R Capital S.à r.l.

Following a decision of the Luxembourg Court of Appeal dated July 12, 2017, Pillar Securitisation S.à r.l. is now registered as the holder of 25,010,558 shares and R Capital S.à r.l. as the holder of 31,673 shares of the Company as at the December 31, 2017. However, several lawsuits between R Capital S.à r.l. and Pillar Securitisation S.à r.l. are still ongoing and various proceedings are still pending.

On July 27, 2017, R Capital S.à r.l. initiated further legal proceedings against the Company and Pillar Securitisation S.à r.l. for voidance of the capital increase of EUR 25,000,000 against issue of 25,000,000 shares of the Company subscribed by Pillar Securitisation S.à r.l. on December 22, 2009. In the opinion of the Board of Directors of the Company, this action is time-barred and unfounded, but in case the court was to decide to declare the increase of capital null and void, this would lead R Capital S.à r.l. to become the majority shareholder with 31,673 shares. Moreover, the Company would be held to repay the amount contributed and this repayment obligation would adversely affect its financial condition.

Subsequent events and going concern assessment

On January 21, 2019, our depositary bank, Royal Bank of Canada ("RBC") informed us about their decision to terminate the existing agreement with the Company. The Company contacted several service providers of which finally one group has accepted to onboard the Company. Banque Havilland S.A. has been appointed as depositary bank and ADEPA has been appointed to be the administrative and domiciliation agent. The migration, which has been duly approved by the CSSF, took place on February 5, 2020. On the same date, an Extraordinary General Meeting also approved the change of the domiciliation address and the new Articles of Incorporation. The Company's prospectus has been updated accordingly.

On January 22, 2014, the Company signed an agreement with Pillar Securitisation S.à r.l. for a short-term bridge financing of EUR 33.7m repayable on December 31, 2014. This agreement had been extended on a yearly basis, and for the last time on May 8, 2020, for an amount of EUR 2 million, maturing on January 31, 2021.

Since December 31, 2019, the spread of the novel Coronavirus, also known as COVID-19, has severely impacted many economies around the globe. In many countries, including Luxembourg, businesses were forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in a global economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilise the economic conditions. Consequences of the outbreak have also contributed to significant volatility in global stock markets.

Activity report (continued)

Due to lockdown restrictions, including the closure of the borders between Luxembourg, Germany and France between mid-March and mid-May 2020, our employee's presence in the Company's offices in Luxembourg has been reduced to the absolute minimum and all board meetings have been held via telephone conference. During this period, two of our commercial tenants have requested non-material and temporary rent reductions, which have been granted in line with common market practice in Luxembourg.
The Company has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. In the opinion of the Board of Directors, the consequences of the COVID-19 outspread have neither materially nor adversely affected the Company's business, its operating results or the Company's ability to continue as a going concern.

Shareholder information

The total equity value of Immo-Croissance SICAV-FIS and the total equity value per share are available at the registered office of the Fund.

The Fund publishes a detailed annual report on its activity and the management of its assets. These documents may be obtained by any interested shareholder free of charge from the Fund's registered office.

The Fund's financial year runs to December 31 of each year.

Audit report

To the Shareholders of
Immo-Croissance SICAV-FIS

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Immo-Croissance SICAV-FIS and its subsidiaries (the "Fund") as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Fund's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity as at 31 December 2019; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates the legal proceeding against the Fund and Pillar Securitisation S. à r. l. initiated by R Capital S. à r. l. on 27 July 2017 about the increase of the capital of 25,000,000 EUR which occurred on 22 December 2009. Should the outcome of this proceeding be favorable to R Capital S. à r. l. , the Fund would have to reimburse the amount of the increase of capital (25,000,000 EUR) to Pillar Securitisation S. à r. l. . These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Fund's ability to continue as a going-concern.

Our opinion is not modified in respect of this matter.These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Fund's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

We draw attention to Note 1 in the financial statements, which describes the lawsuits between the two shareholders of the Fund (Pillar Securitisation S.à r.l. and R Capital S.à r.l.) and the possible outcomes of these lawsuits.

Our opinion is not modified in respect of this matter

Other information

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information stated in the annual report but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors of the Fund for the consolidated financial statements

The Board of Directors of the Fund is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors of the Fund 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 of the Fund is responsible for assessing the Fund'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 of the Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit 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 audit 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, 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 Fund'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 of the Fund;

- conclude on the appropriateness of the Board of Directors of the Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit 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 audit report. However, future events or conditions may cause the Fund 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 fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Fund to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Fund audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

Restriction on Distribution and Use

This report, including the opinion, has been prepared for and only for the Shareholders and the Board of Directors of the Fund in accordance with the terms of our engagement letter and is not suitable for any other purpose. We do not accept any responsibility to any other party to whom it may be distributed.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 1 July 2020

Dauvergne

Isabelle Dauvergne

Consolidated statement of financial position

As at December 31, 2019

Unless otherwise stated all amounts are expressed in Euros

	Notes	As at December 31, 2019	As at December 31, 2018
Assets			
Non-current assets			
Investment property	3c, 7, 8	23,283,233	54,215,284
		23,283,233	**54,215,284**
Current assets			
Trade and other receivables	3d, 3e, 9	1,395,895	329,103
Current income tax assets	19	542	3,217
Cash and cash equivalents	3d, 3f, 10	5,840,872	1,877,034
		7,237,309	**2,209,354**
Total assets		**30,520,542**	**56,424,638**
Equity			
Share capital	3g, 11	38,122,861	38,122,861
Accumulated losses		(14,009,398)	(21,532,362)
Total equity		**24,113,463**	**16,590,499**
Liabilities			
Current liabilities			
Trade and other payables	3d, 13	459,631	447,079
Bank borrowings	3d, 12, 20a	5,947,448	39,387,060
		6,407,079	**39,834,139**
Total liabilities		**6,407,079**	**39,834,139**
Total equity and liabilities		**30,520,542**	**56,424,638**

Consolidated statement of comprehensive income

For the year ended December 31, 2019

Unless otherwise stated all amounts are expressed in Euros

	Notes	Year ended December 31, 2019	Year ended December 31, 2018
Rental income	3i	3,066,488	2,366,954
Property operating expenses	15	(274,793)	(462,636)
Net rental income		**2,791,695**	**1,904,318**
Custodian and central administration fees	16	(57,176)	(35,565)
Employee benefit expenses	17	(115,159)	(108,086)
Administrative and professional fees	18	(1,257,391)	(728,019)
Other expenses		(220,728)	(131,266)
Other income		42,263	1,632
Net operating profit		**1,183,504**	**903,014**
Gain on disposal on investment property		9,174,252	-
Net gain from fair value adjustment on investment property	8	(164,166)	3,990,984
Profit before finance cost		**10,193,590**	**4,893,998**
Finance cost		(2,670,626)	(2,640,050)
Net profit before income tax		**7,522,964**	**2,253,948**
Income tax	19	-	-
Profit for the year		**7,522,964**	**2,253,948**
Other comprehensive income		-	-
Total comprehensive income for the year		**7,522,964**	**2,253,948**

Consolidated statement of cash flows

For the year ended December 31, 2019

Unless otherwise stated all amounts are expressed in Euros

	Year ended December 31, 2019	Year ended December 31, 2018
Net cash flow from operating activities		
Profit before income tax	7,522,964	2,253,948
Adjusted for:		
Net loss/(gain) from fair value adjustment on investment property	164,166	(3,990,984)
Gain on disposal on investment property	(9,174,252)	-
Interest expense	2,644,108	2,614,534
Changes in working capital		
Decrease in trade and other receivables	73,737	46,038
(Decrease)/increase in trade and other payables	12,552	73,437
Net cash flow from operations	**1,243,275**	**996,973**
Tax paid	2,675	3,070
Net cash flow from operating activities	**1,245,950**	**1,000,043**
Net cash flow from investing activities		
Capital expenditure	(50,589)	(1,420,181)
Disposal of investment property	38,852,196	-
Net cash flow from investing activities	**38,801,607**	**(1,420,181)**
Net cash flow from financing activities		
Proceeds from/(repayment of) bank borrowings	(36,083,719)	1,000,001
Net cash flow from financing activities	**(36,083,719)**	**1,000,001**
Net increase in cash and cash equivalents	**3,963,838**	**579,863**
Cash and cash equivalents at the start of the year	1,877,034	1,297,171
Cash and cash equivalents at the end of the year	**5,840,872**	**1,877,034**

Changes in investment property

As at December 31, 2019

Unless otherwise stated all amounts are expressed in Euros

As at December 31, 2019		As at December 31, 2018		
Acquisition Cost	**Market value (*)**	**Acquisition Cost**	**Market value (*)**	**Net gain from fair value adjustment**
16,342,611	23,283,233	46,820,767	54,215,284	(164,166)

(*) Including an adjustment for straight lining of rent incentives amounting to EUR 56,768 (2018: EUR 154,716).

Changes in number of shares in issue

For the year ended December 31, 2019

	Ordinary shares
Number of shares in issue at the start of the year	25,042,231
Number of shares subscribed during the year	-
Number of shares redeemed during the year	-
Number of shares in issue at the end of the year	**25,042,231**

Consolidated statement of changes in equity

As at December 31, 2019

Unless otherwise stated all amounts are expressed in Euros

	Share capital	Retained losses	Total equity
Balance as at December 31, 2017	**38,122,861**	**(23,786,310)**	**14,336,551**
Profit for the year	-	2,253,948	2,253,948
Other comprehensive income	-	-	-
Total comprehensive income	-	2,253,948	2,253,948
Balance as at December 31, 2018	**38,122,861**	**(21,532,362)**	**16,590,499**
Profit for the year	-	7,522,964	7,522,964
Other comprehensive income	-	-	-
Total comprehensive income	-	7,522,964	7,522,964
Balance as at December 31, 2019	**38,122,861**	**(14,009,398)**	**24,113,463**

Statistics

For the last three years

Unless otherwise stated all amounts are expressed in Euros

	As at December 31, 2019	**As at December 31, 2018**	**As at December 31, 2017**
Total net asset value	24,113,463	16,590,499	14,336,551
Net asset value per share	0.96	0.66	0.57

Consolidated portfolio holdings

As at December 31, 2019

Unless otherwise stated all amounts are expressed in Euros

a. Portfolio – Break down by property

	Acquisition date	Year of construction	Tenants	Office space (sq.m.)	Residential/ Commercial space (sq.m.)	Archive space (sq.m.)	Car park (units)
Centre Monterey 23 Av. Monterey L-2163 Luxembourg	22-Nov-1988	1969	Commercial companies/ Insurance company/ Investment Fund	1,639	-	495	20
Résidence Monterey 22 Av. Monterey L-2163 Luxembourg	29-Jun-1989	1993	Commercial residential	198	716	112	3
Auf der Hart 1 Ceinture Um Schlass L-5880 Hesperange	27-Oct-1988	1990	Vacant	2,080	-	157	119

b. Portfolio – geographical repartition

Valuation in euros	Acquisition value	Estimated value (*)	Insured value	% of total portfolio
Grand Duchy of Luxembourg	16,342,611	23,283,233	34,033,450	100%

(*) Estimated value before straight-lining of rent incentives.

Notes to the consolidated financial statements

For the year ended December 31, 2019

Note 1 – General information

Immo-Croissance SICAV-FIS (the "Fund") is a real estate investment company that was created on September 22, 1988 with an unlimited duration in the form of an investment fund (Luxembourg SICAV) in accordance with the Luxembourg law of August 10, 1915 (as modified) relating to commercial companies, and the law of March 30, 1988 relating to collective investment undertakings. With effect from February 13, 2004, the Fund has been governed by the law of December 19, 2002. Since June 25, 2008 the Fund is governed by the law of February 13, 2007 on specialized investment funds, as amended.

Effective February 5, 2020, the Fund's registered office moved from 11-13 Boulevard de la Foire, L-1528 Luxembourg to 6a, rue Gabriel Lippmann, L-5365 Munsbach, Grand Duchy of Luxembourg.

The Fund is registered in the Luxembourg trade and companies registry under number RCS B028872.

The Fund's objective is to offer to its shareholders the opportunity to invest in a diversified portfolio that is specialised in high-quality property assets located within the European Union and especially in Luxembourg. While the Fund's property investments take a variety of forms, they primarily concern office premises.

The Fund's investment policy is directed towards the long term, frequent purchases and sales of assets are not considered. The Board of Directors may, however, sell the Fund's property assets at any time in view of future prospects or market concerns, or for any other reason that the Board of Directors deems appropriate.

The consolidated financial statements are prepared in Euros, which is the functional and reporting currency of the entity and its subsidiaries.

The Fund's consolidated financial statements were approved by the Board of Directors on July 1, 2020.

They are submitted for approval by the shareholders' general meeting of July 1, 2020

Going concern assessment

In the past couple of years, the Fund successfully negotiated the extension of the shareholder loan from Pillar Securitisation S.à r.l., representing almost 100% of the Fund's current liabilities, and for which the maturity has been extended up to January 31, 2021.

In addition, in the opinion of the Board of Directors, the consequences of the COVID-19 outspread have neither materially nor adversely affected the Fund's business, its operating results or the Fund's ability to continue as a going concern.

Notwithstanding the aforementioned, following a decision of the Luxembourg Court of Appeal dated July 12, 2017, Pillar Securitisation S.à r.l. is now registered as the holder of 25,010,558 shares and R Capital S.à r.l. as the holder of 31,673 shares of the Company as at the December 31, 2019. However, lawsuits between R Capital S.à r.l. and Pillar Securitisation S.à r.l. regarding the shareholding of the Company are still ongoing.

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

On July 27, 2017, R Capital S.à r.l. initiated legal proceedings against the Company and Pillar Securitisation S.à r.l. for voidance of the capital increase of EUR 25,000,000 against issue of 25,000,000 shares of the Company subscribed by Pillar Securitisation S.à r.l. on December 22, 2009. In the opinion of the Board of Directors of the Company, this action is time-barred and unfounded. This claim has been dismissed as inadmissible by the Luxembourg district court but R Capital has filed an appeal against this judgement. The parties are in the process of exchanging their briefs and no date has been determined for a hearing before the court of appeal. In case the court was to decide to declare the increase of capital null and void, this would lead R Capital S.à r.l. to become the majority shareholder with 31,673 shares.

Moreover, the Company would be held to repay the amount contributed and this repayment obligation would adversely affect its financial condition and result in the inability of the Company to repay its debts. This being said, the Board of Directors is confident that this would not happen during 2020.

Based on the aforementioned, the Board of Directors has concluded that the continued application of the going concern assumption is appropriate.

Note 2 – Basis of preparation

The preparation of the consolidated financial statements in conformity with IFRS requires the use of accounting estimates. The Board of Directors is also required to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the Note 4.

The consolidated financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB"), as far as endorsed by the European Union ("EU"). The consolidated financial statements are prepared in Euros ("EUR"). The amounts are rounded to the nearest Euro.

New and amended standards and interpretations adopted by the Fund and being currently of relevance to the Fund

IFRS 16, 'Leases'

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. As the Fund solely acts as lessor in operating leases relating to investment properties accounted for under the fair value model of IAS 40, the adoption of IFRS 16 did not result in any material impact on the consolidated financial statements of the Fund.

IFRIC 23, 'Uncertainty over income tax treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12, 'Income Taxes'. The Fund has not identified any material impact on the consolidated financial statements following the implementation of IFRIC 23.

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

During the current year, the Fund has adopted amendments of IFRS 9, 'Financial Instruments' and Annual Improvements 2015-2017 cycle which were mandatory for the first time for the year beginning January 1, 2019. Those amendments were not of relevance to the Fund and their adoption had no impact on the consolidated financial statements of the Fund.

New standards, amendments and interpretations issued but not effective and not early adopted by the Fund

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2019 reporting periods and have not been early adopted by the Fund. These amendments and new standards are not expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

Note 3 – Main accounting policies

3a Consolidation principles

Subsidiaries

A subsidiary is a company in which the Fund holds a direct or indirect controlling interest. Control is achieved when the Fund is exposed, or has rights to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Specifically, the Fund controls a company, if and only if, the Fund has:

- Power over the company (i.e. existing rights that give the current ability to direct the relevant activities of the company);
- Exposure, or rights to variable returns from its involvement with the company; and
- The ability to use its power over the company to affect its returns

The Fund re-assess whether or not it controls a company if facts and circumstances indicate that there are changes to one or more of three elements of control.

The subsidiary is referred to in Note 6.

The consolidated financial statements include the financial statements of the Fund and those of its subsidiary, prepared as at December 31 of each year. The subsidiary is consolidated from the date on which the Fund assumes control through to the date on which the Fund ceases to have control. The subsidiary is incorporated into the consolidated financial statements using the acquisition method. As a consequence, the acquisition cost is allocated to the assets and liabilities based on their fair value on the acquisition date.

To prepare the consolidated financial statements, the individual financial statements of the Fund and of its subsidiary are combined on a line-by-line basis by adding together similar assets, liabilities, income and charges. To ensure that the consolidated financial statements present the group's financial information as if it related to a single company, the carrying value of the Fund's holding in the subsidiary and the Fund's share of the shareholders' equity of the subsidiary are eliminated.

Intra-group eliminations

Intra-group balances and transactions, including sales, charges and dividends, are eliminated in full.

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

3b Fair value measurement

The Fund measures non-financial assets such as investment properties at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible to by the Fund.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques (see Note 4a) that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observables inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy (see Note 7).

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3c Investment property

Investment property includes property assets (land and buildings) held by the Fund in order to get rental earnings or to enhance their capital value, (or both reasons) as well as properties being redeveloped.

Investment properties are initially recorded at cost, including related transaction costs. Transaction costs include property transfer taxes, professional fees and initial leasing commissions to bring the property to the condition necessary of it to operate in the manner intended by the Fund. Subsequent expenditure on major renovation and development of investment properties is capitalized at cost. The costs of maintenance, repairs and minor improvement are expensed when incurred.

After initial recognition, investment property is carried at fair value.

The fair value of investment property is determined on the basis of a valuation prepared by an independent property appraiser possessing an appropriate and recognized professional qualification, as in the case of Inowai S.A., who has proven experience in the valuation of investment property.

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

The appraiser's appointment is renewed annually by the general meeting of shareholders.

Gains or losses arising from changes in the valuation of investment property are included in the consolidated statement of comprehensive income in the year in which they arise under 'Net gain/ (loss) from fair value adjustment on investment property'.

Investment properties are derecognized when they have been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of properties are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between the net disposal proceeds and the carrying value of the asset concerned, as shown in the previous full period consolidated financial statements.

A detailed breakdown of investment property is provided in the consolidated portfolio holdings.

3d Financial instruments

Classification of financial assets

The Fund classifies its financial assets as measured at amortized cost or measured at fair value through profit or loss ("FVPL") on the basis of both:

- the business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial assets.

a. Financial assets measured at amortized cost

A debt instrument is measured at amortized cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Fund includes in this category trade and other short-term receivables and cash and cash equivalents.

b. Financial assets measured at FVPL

A financial asset is measured at FVPL if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- It is not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell; or
- At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

The Fund does not hold any financial assets measured at FVPL.

Classification of financial liabilities

The Fund classifies its financial liabilities as measured at amortized cost or measured at FVPL.

a. Financial liabilities measured at FVPL

A financial liability is measured at FVPL if it meets the definition of held for trading. The Fund does not hold any financial liability measured at FVPL.

b. Financial liabilities measured at amortized cost

This category includes all financial liabilities, other than those measured at FVPL. The Fund includes in this category borrowings and trade and other payables.

Recognition

The Fund recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

Initial measurement

Financial assets and financial liabilities classified as measured at amortized cost are recorded initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

Subsequent measurement

The Fund's financial assets and financial liabilities are all measured at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when they are derecognized or impaired, as well as through the amortization process.

The effective interest method (EIR) is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating and recognizing the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortized cost of the financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments, but does not consider expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

De-recognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is de-recognized where the rights to receive cash flows from the asset have expired, or the Fund has transferred substantially all of the risks and rewards of the asset.

The Fund de-recognizes a financial liability when the obligation under the liability is discharged, cancelled or expired.

Impairment of financial assets measured at amortized cost

The Fund assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost.

The new impairment model applies to all of the loans and receivables classified as financial assets measured at amortized cost and requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as it was the case under IAS 39.

The expected loss rates are based on the payment profiles of the tenants and the historical credit losses experienced, adjusted to reflect current and forward-looking information.

Any contractual payment which is more than 90 days past due is considered credit impaired and written off, unless the Fund has reasonable and supportable information to demonstrates otherwise. The Fund writes off a financial asset when there is no realistic prospect of recovery e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are more than 90 days past due, whichever occurs sooner. Any recoveries made are recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3e Trade and other receivables

Trade receivables and other debtors mostly represent amounts due from tenants arising from rental of office units and other related services. They are generally due between 15 and 90 days.

3f Cash and cash equivalents

Cash and cash equivalents include cash at bank and short-term deposits with an initial maturity of less than three months.

For the purpose of the consolidated cash flow statement, cash and cash equivalents are stated net of bank overdrafts.

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

3g Shares

The Fund only offers shares in the form of ordinary shares. The Board of Directors shall have full discretion to declare and pay interim dividends in accordance with applicable law and the articles of incorporation.

3h Provisions

Provisions are recognized when the Fund has a present obligation (legal or constructive) arising from a past event and it is deemed likely that a payment will be required in order to extinguish this obligation and the amount of this payment can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

3i Rental income

Leases are agreements under which the lessor transfers to the lessee the right to use all or part of the investment property for a given period in exchange for a rent payment.

A non-cancellable lease is a lease that can be cancelled only:
- if an unlikely event occurs;
- with the authorization of the lessor;
- if the lessee enters into a new lease with the same lessor for the same investment property or an equivalent asset; or
- on payment by the lessee of an additional amount (any form of compensation), agreed on the signing of the lease.

The term of the lease indicates the non-cancellable period for which the lessee undertakes to rent the property asset, and any subsequent periods for which the lessee has the option to extend his lease in exchange for the payment of an additional amount if applicable provided that, from the inception of the lease, there is reasonable certainty that the lessee will exercise his option.

Rental income on investment property is recognized on a straight-line basis over the duration of the leases in force.

3j Taxation

Current income tax

Current income tax assets and liabilities for the year and prior years are measured at the amount that is expected to be collected from or paid to the tax authorities. The tax rates and regulations used in determining these amounts are those that were adopted, or about to be adopted, at reporting date.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset if a legal enforceable right of set-off of current tax assets and liabilities exists, and provided that these deferred taxes concern the same taxable entity and the same tax authority.

3k Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. When control exists, information on relations between the related parties is provided, whether or not any transactions have actually taken place between the parties.

3l Events after reporting date

Events after reporting period that provide additional information about a position of the Fund at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Events after the reporting period that are non-adjusting events are disclosed in the notes when material.

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

Note 4 – Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an on-going basis. Actual results may differ from these estimates.

In the process of applying the Fund's accounting policies, management has made the following significant judgments, estimates and assumptions.

4a Fair value of real estate investments

The Fund obtains on an annual basis valuation reports prepared by an external appraiser appointed by the shareholders' general meeting and recognized by the CSSF.

In determining the fair value, the income capitalization method and the discounted cash flow ("DCF") methods have been used. These approaches require assumptions and judgement in relation to the future receipt of contractual rentals, expected future market rentals, void periods, maintenance requirements, property capitalisation rate or estimated yield and make reference to market evidence of transaction prices for similar properties.

The DCF method involves the projection of a series of cash flows deriving from a property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the property. These projections are based on the lease terms and conditions, other existing agreements and external evidence such as current rental values offered on the market for similar properties in the same location. The discount rates applied on the reporting date reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Under the income capitalization method, a property's fair value is estimated based on the normalized net operating income generated by the property, which is divided by the capitalization rate (otherwise stated the investor's rate of return or the market yield). The difference between gross and net rental income includes the same expense categories as those for the DCF method with the exception that certain expenses are not measured over time, but included on the basis of a time weighted average, such as the average lease up costs. Under the income capitalization method, over (above market rent) and under-rent situations are separately capitalized.

The market yields were estimated depending on the actual location, type and quality of the properties, and taking into account market data and projections at the valuation date. Fair value estimates of investment property are subjective and actual values can be established only during a sale transaction.

For further details on key inputs used by the valuers and sensitivity analysis to significant changes in such inputs, see Note 8c. The information provided to the valuers (i.e. terms and conditions of the existing lease agreements) and the assumptions and valuation models used by the valuers are reviewed by the Board of Directors before final review.

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

4b Recognition and measurement of current and deferred income taxes

The Fund's subsidiary is subject to income and capital gains taxes. Significant judgment is required in determining the total provision for current and deferred income taxes. The Fund recognizes liabilities for anticipated tax 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 and deferred tax provisions in the period in which the determination is made.

4c Investment entities

The management has assessed whether the Fund meets the criteria for being an investment entity as defined in IFRS 10. Had the Fund been considered an investment entity, the Fund would have accounted for its investment into subsidiaries at fair value through profit or loss. When doing this assessment, the management has considered whether the Fund meets the criteria defined in IFRS 10.27 which are:

- obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and;
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

Even though the two first criteria are met, the performance of the Fund, the management of the Fund and of the portfolio are measured using various performance indicators such as IRR, capitalization rate, compliance with debt covenants, tenant quality/ profile, property location, dividends yields, occupation rate, net income generated from properties, etc. Therefore, according to the management, the third criterion is not met.

Furthermore, the management also considered the following typical characteristics of an investment entity in accordance with IFRS 10.28:

- it has more than one investment;
- it has more than one investor;
- it has investors that are not related parties of the entity; and
- it has ownership interests in the form of equity or similar interests.

As the Fund has just one investor, who is also its main financial support, management concluded that the Fund is not an investment entity. The consolidated financial statements of the Fund prepared in accordance with IFRS include all the subsidiaries listed in Note 6.

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

Note 5 – Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Chairman of the Board of Directors was entrusted with the duty to supervise the risk management and associated internal compliance and control procedures, in conformity with applicable Luxembourg laws and regulations and the Fund's risk management policy (RMP). Any risk identified by the Chairman which required action was managed by the Board as a whole.

5a Risks associated with real estate investments

Investments in real estate are subject to various risks, including adverse changes in national or international economic conditions, adverse local market conditions, financial conditions of tenants, buyers and sellers of properties, changes in availability of debt financing, changes in interest rates, real estate tax rates and other operating expenses, environmental laws and regulations, zoning laws and other governmental rules and fiscal politics, environmental claims arising in respect of real estate acquired with undisclosed or unknown environmental problems or as to which inadequate reserves had been established, energy prices, changes in the relative popularity of property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in a given market, the quality and strategy of property and asset management risks due to dependence on cash flow, risks and operating problems arising out of the presence of certain construction materials, as well as acts of God, uninsurable losses and other factors which are beyond the control of the Board of Directors.

Many of these factors could cause fluctuations in occupancy rates, rent schedules, operating expenses or market yield (refer to Note 8c for sensitivity analysis) causing a negative effect on the value of real estate and income derived from real estate. Valuation of real estate will generally be a matter of the external valuer's opinion, and may fluctuate up or down. The capital value of the Fund's real estate may be significantly diminished in the event of a sudden downward turn in real estate market prices.

Tenant risk

The tenants' financial status and strength, and thus their ability to service the rent, will always be a decisive factor when evaluating the risk of property projects. The termination of leases with subsequent vacancy of the premises, or lower rent levels, will influence the rental income negatively.

5b Credit risk

Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the Fund or otherwise fail to perform as agreed.

Credit risk is found in all activities where profitability depends on the performance of a counterparty (risk to each party of a contract that the counterparty will not meet its contractual obligations), issuer, lessee or borrower.

Credit risk arises primarily from trade and other receivables and cash and cash equivalents held at banks. All those financial assets are subject to IFRS 9's impairment requirements.

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

The carrying amount of the cash and cash equivalents and trade and other receivables held by the Fund at financial year-end best represents the Fund's maximum exposure to credit risk.

Trade receivables

The Fund mainly assesses the credit quality of its tenants at the time of the tenant acceptance. Before accepting any new tenant, the risk profile is analysed based on its business sector.

An advance deposit or bank guarantee is required from any non-public sector tenants.

According to the tenant type, the annual rent allocation is as follows:

Tenants	**2019**	**2018**
Banks and trust companies	28%	36%
State administration	41%	27%
Commercial companies	26%	32%
Parking and residential	5%	5%

At year-end none of those assets are past due or impaired.

Rental deposits refundable to tenants may be withheld by the Fund in part or in whole if receivables due from tenant are not settled or in case of other breaches of contract.

Trade receivables are written off for the amount exceeding deposits and other guarantees if past due for more than 90 days.

Considering that tenants are required to pay rents in advance, that the exposure to credit risk is mitigated by the existence of rent deposits and banking guarantees and that the Sub-Fund's policy is to fully write off any balances due for more than 90 days, the Board of Directors has concluded that the risk is immaterial and that no allowance for expected credit loss should be booked.

Other receivables

The credit risk for other receivables is considered not significant.

No amounts due at December 31, 2019 and 2018 were classified as past due or impaired.

Cash and cash equivalents

Cash balances are held only with high-rated financial institutions so as to mitigate counterparty risk. The Fund's bank relationship policy sets forth stringent criteria for the selection of banking partners.

As at December 31, 2019, the Fund holds bank accounts with Banque Internationale à Luxembourg S.A. ("BIL"). BIL is rated A- by Standard & Poor's and BBB+ by Fitch ratings.

The Board of Directors considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparty has a strong capacity to meet its contractual obligations in the near term. As a result, no loss allowance has been recognized as any such impairment would be wholly insignificant to the Fund.

5c Market risk

The Fund's market risk comprises the current or prospective risk to earnings and capital arising from adverse movements in the general economy, the property market and commodity prices as well as other fluctuations.

Currency risk

The Fund holds both monetary and non-monetary assets all denominated in Euros. The Fund is not exposed to foreign currency fluctuations.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's exposure to the risk of changes in market interest rates relates primarily to the Fund's interest bearing borrowings. Borrowings issued at variable rates exposed the Fund to cash flow interest rate risk. Fixed rate borrowings exposes the Fund to fair value interest rate risk.

As at December 31, 2019 and 2018, the Fund has fixed rate borrowing with a short-term maturity. Consequently, the Fund's exposure to interest rate risk is not significant.

In addition, the interest rate level over time is an important factor in the development of the value of the properties and the return which investors can obtain.

The interest rate level could also indirectly affect rent levels by having a negative impact on the revenue of the tenants, and rent levels are also relevant when renewing or entering into new leases.

Price risk

The Fund is not exposed to price risk related to financial instruments. For price risk on investment property, please refer to Note 4a.

5d Liquidity and refinancing risk

The Fund is exposed to a liquidity risk that could materially affect its operating results and financial position. Liquidity risk can be divided into funding risk and market liquidity risk.

The definition of funding risk is the current or prospective risk to earnings and capital arising from the Fund's inability to meet its liabilities when they come due without incurring unacceptable losses. Funding risk arises from the inability to manage unexpected decreases or changes in funding sources.

Market liquidity risk is the current or prospective risk to earnings and capital arising from the Fund's inability to quickly unwind its positions either at current market rates or at a rate which would not be adversely affected by the unwinding to an extent which would result in unacceptable losses.

The Fund is particularly exposed to liquidity risk as its holdings are in real estate and are therefore relatively illiquid.

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

The Fund's liquidity position is monitored on a monthly basis by management and is reviewed annually by the Board of Directors. A summary table with maturity of financial liabilities presented below is used by key management personnel to manage liquidity risks. The amounts disclosed in the below tables are the contractual undiscounted cash flows.

The maturity analysis of financial liabilities as at December 31, 2019 is as follows:

Financial liabilities	Less than 1 month (EUR)	1 to 3 months (EUR)	3 months to 1 year (EUR)	more than 1 year (EUR)	Total (EUR)
Bank borrowings	5,987,098	118,949	101,870	12,734	6,220,651
Trade and other payables (*)	189,438	28,658	192,727	-	410,823
Total	**6,176,536**	**147,607**	**294,597**	**12,734**	**6,631,473**

(*) Excluding tax payables for an amount of EUR 4,852 and prepaid income for an amount of EUR 43,956.

The maturity analysis of financial liabilities as at December 31, 2018 is as follows:

Financial liabilities	Less than 1 month (EUR)	1 to 3 months (EUR)	3 months to 1 year (EUR)	more than 1 year (EUR)	Total (EUR)
Bank borrowings	39,387,060	-	-	-	39,387,060
Trade and other payables (*)	155,300	68,433	119,927	-	416,660
Total	**39,542,360**	**68,433**	**192,927**	**-**	**39,803,720**

(*) Excluding tax payables for an amount of EUR 14,349 and prepaid income for an amount of EUR 16,071.

5e Capital risk management

The Fund manages its capital to ensure that entities in the Fund will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The loan-to-value ratio at year-end was as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Debt	5,947,448	39,387,060
Cash and cash balances	(5,840,872)	(1,877,034)
Net debt	106,576	37,510,026
Investment properties	23,340,000	54,370,000
Loan-to-value ratio	**0.46%**	**68.99%**

In accordance with the loan agreement entered into by the Fund with Pillar Securitisation S.à r.l., financial covenants require that the loan-to-value ("LTV") ratio does not exceed 75% and the debt-to-equity ratio is not higher than 2.75. In addition, the Fund shall respect a minimum net asset value of EUR 13 million.

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

With effect on April 11, 2016, Pillar Securitisation S.à r.l. temporarily waived its right in respect of breaches of the covenants until January 31, 2020. See Note 12.

Note 6 – Subsidiary

The consolidated financial statements combine the financial statements of the Fund with those of its subsidiary listed below:

Name	Country of registration	Holding and control % 2019	Holding and control % 2018
Immo Hesperange S.à r.l. 2, Place de Paris L-2314 Luxembourg	Luxembourg	100	100

Note 7 – Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Quoted (unadjusted) market prices in active markets for identical assets or liabilities (level 1);
- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable (level 2); and
- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (level 3).

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the fair value hierarchy by reassessing categorization at the end of each reporting period. No such transfers occurred during the year ended December 31, 2019.

The following table analyses within the fair value hierarchy the Fund's assets measured at fair value at December 31, 2019:

Assets measured at fair value	Date of valuation	Level 1	Level 2	Level 3	Total balance as at December 31, 2019
Investment properties (Note 8)	31/12/2019	-	-	23,283,233	23,283,233

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

The following table analyses within the fair value hierarchy the Fund's assets measured at fair value at December 31, 2018:

Assets measured at fair value	Date of valuation	Level 1	Level 2	Level 3	Total balance as at December 31, 2018
Investment properties (Note 8)	31/12/2018	-	-	54,215,284	54,215,284

Since significant unobservable inputs (including estimated market rentals, rent growth rate, long-term vacancy rate and discount rate) were used in the fair value of property, the fair value of investment property is included within level 3.

Valuation techniques, inputs used in the fair value measurement and valuation processes implemented by the Fund in that respect are further disclosed in Note 4a and Note 8.

The reconciliation of all movements in the fair value of the Fund's assets categorized within level 3 between the beginning and the end of the reporting period is shown in Note 8.

Note 8 – Investment property

8a Disposals

On December 19, 2019, the Fund disposed of the "Edison" property for a total consideration of EUR 40 million leading to the recognition of a realised gain of EUR 9,174,252. Concurrently, the Fund reimbursed approximately EUR 35 million of the loan with Pillar Securitisation S.à r.l. (see Note 12).

8b Reconciliation of level 3 fair value measurement

	Year ended December 31, 2019	Year ended December 31, 2018
Opening balance	54,215,284	48,804,119
Additions during the year	50,589	1,420,181
Sales during the year	(39,992,727)	-
Total gains (*) (**)	9,010,087	3,990,984
Closing balance	**23,283,233**	**54,215,284**
Total gains or losses for the year relating to investment properties held at the end of the reporting year	(164,166)	3,990,984

(*) Including an adjustment for straight lining of rent incentives amounting to EUR 56,768 (2018: EUR 154,716).

As at December 31, 2019, the Management of the Fund estimates the fair value of the properties before adjustment of straight-lining of rent incentives to EUR 23,340,000 (2018: EUR 54,370,000).

Total gains or losses are recognized in the consolidated statement of comprehensive income under "Net gain/(loss) from fair value adjustment on investment property".

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

8c Valuation techniques used and key inputs to fair value measurements categorized within level 3 of the fair value hierarchy

Investment properties	**Valuation technique**	**Significant unobservable inputs**	**Range or weighted average**
		Discount rate	4.25%-7.00%
Office/ Residential/		Rent growth	1.25%
Commercial	DCF method	Long-term vacancy rate	17.05%
Office/ Residential/ Commercial	Income capitalization method	Market yield	3.97%-6.9%

For further details on the valuation methods, see Note 4a.

As shown below, significant increases or decreases in market rentals in isolation would result in a significant higher or lower fair value of the investment properties. Significant increases or decreases in long-term vacancy rate in isolation would result in a significant lower or higher fair value.

Generally, a change in the assumptions made for the estimated rental value is accompanied by an opposite change in the long-term vacancy.

The following details the Fund's sensitivity to a 0.5% increase and decrease in the market yields, with 0.5% being the sensitivity rate used when reporting price risk internally to key management personnel and representing management's assessment of the possible change in market prices.

At December 31, 2019, if market yields had increased by 0.5% with all other variables held constant, the total equity value attributable to holders of the ordinary shares for the year would have been 7.03% lower (2018: 6.64% lower), due to the decrease in the fair value of investment properties by EUR 1,640,000 (2018: EUR 3,510,000).

At December 31, 2019, if market yields had decreased by 0.5% with all other variables held constant, the total equity value attributable to holders of the ordinary shares for the year would have been 7.50% higher (2018: 7.67% higher), due to the increase in the fair value of investment properties by EUR 1,750,000 (2018: EUR 4,170,000).

At year-end, the investment properties have been pledged as collateral to secure borrowings (Note 12).

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

Note 9 – Trade and other receivables

As of December 31, 2019, the loans to entities affiliated to R Capital S.à r.l. ("R Capital"), the former shareholder of the Fund, amounted to EUR 2.7 million. The Fund initiated a legal action against R Capital and other related entities and persons in order to claim back the loans. As the recovery of those amounts remains at risk, those loans have been fully written down in 2009.

At year-end, the trade and other receivables are also composed of the following:

	As at December 31, 2019	**As at December 31, 2018**
Escrow account *	1,140,531	-
Rental guarantee	27,775	27,775
Rent receivables	73,207	161,901
Prepaid expenses and other receivables	154,382	139,428
	1,395,895	**329,104**

* As part of the disposal of the Edison property in 2019 (see Note 8a), part of the sales proceeds was deposited into an escrow account held by Vandenbulke. According to the related escrow and pledge agreement, the balance will be released subject to certain conditions being met on December 19, 2021 at the latest. No impairment provision has been made, as it is the opinion of the Board of Directors that the full amount will be received by that date.

Note 10 – Cash and cash equivalents

Short-term deposits cover various periods ranging from one day to three months depending on the Fund's immediate cash needs.

Note 11 – Share capital

The Fund's capital is represented by ordinary shares with no par value carrying one vote each. They are entitled to dividends when declared. The Fund has no restrictions or specific capital requirements on the issue and re-purchase of ordinary shares.

During the year ended December 31, 2019, no shares were issued or redeemed (2018: none).

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

Note 12 – Bank borrowings

At year-end, the borrowings are composed of the following:

Lender	Interest rate	Maturity	As at December 31, 2019	As at December 31, 2018
Pillar Securitisation S.à r.l.	_Until January 30, 2018_: Euribor + 3.5% margin + PIK 2% _As from January 31, 2018:_ PIK 8%	31-01-2020	5,947,448	39,387,060

The principal amount outstanding includes a PIK interest accrued on the principal amount drawn down and capitalised at the end of each interest period. As at December 31, 2019, the capitalized interests amounted to EUR 10,555 (2018: EUR 5,250,554). For the year ended December 31, 2019, interests amounting to EUR 2,644,108 has been charged to the profit and loss account (2018: EUR 2,614,534).

The going concern assessment is disclosed in Note 1.

On January 22, 2014, the Fund signed an agreement with Pillar Securitisation S.à r.l. for a short-term bridge financing of EUR 33.4 million repayable on December 31, 2014.

On December 19, 2019, the Fund reimbursed approximately EUR 35 million of the loan to Pillar Securitisation S.à r.l. following the disposal of the Edison Building. See Note 8.

This agreement had been extended on a yearly basis, and for the last time on May 8, 2020, for an amount of EUR 2 million, maturing on January 31, 2021. See Note 23.

By Waiver Letter dated April 11, 2016, as further amended on January 26, 2018 and February 5, 2019, Pillar Securitisation S.à r.l. temporarily waived its rights in respect of certain financial covenants until January 31, 2020.

As at December 31, 2019, the carrying amount of such short-term borrowings was not materially different from their fair value.

Note 13 – Trade and other payables

	As at December 31, 2019	As at December 31, 2018
Accounts payable	232,629	197,695
Audit fees	44,100	26,550
Custodian and central administration fees (Note 16)	20,343	22,790
Directors' fees (Note 20b)	61,130	61,881
Prepaid rental income and services charges	43,956	56,317
Real estate valuation fees	6,500	6,500
Rental guarantee	31,600	31,800
Subscription tax	1,244	358
VAT	3,608	-
Other payable	14,521	43,188
	459,631	**447,079**

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

Note 14 – Lease commitments

Minimum future lease payments receivable in respect of non-cancellable operating leases were as follows:

	As at December 31, 2019	As at December 31, 2018
Due in less than 1 year	945,529	3,057,305
Due in 1 to 5 years	1,641,677	6,070,165
Due in more than 5 years	618,375	3,815,462
	3,205,581	**12,942,932**

Note 15 – Property operating expenses

The main charges in respect of rental properties concern individual and collective services (maintenance, lighting, etc.), property charges (cleaning, sewerage and household waste), land taxes, caretaking charges, management charges and insurance.

Some rental property charges such as individual services (e.g. hot water, meter rental and heating) are mostly recoverable from the lessees. The Fund makes available to lessees, prior to the expiry of their leases, supporting evidence for all expenses incurred by the Fund as well as the calculations of the split of property charges by lessee. The property operating expenses are broken down as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Service charges and maintenance	252,286	406,914
Insurance	(6,095)	27,032
Property tax	28,602	28,690
	274,793	**462,636**

Note 16 – Custodian and central administration fees

Based on the agreement signed on September 23, 1988 between the Fund and Banque Internationale à Luxembourg S.A. and its endorsement on February 2, 2006, which appoints RBC Investor Services Bank S.A. as custodian bank, the Fund entrusted the custodian bank to act as custodian for cash, marketable securities, other assets and ownership deeds that the Fund owns or may acquire.

The custodian bank had the right to levy a custodian fee on the Fund's assets, which was payable at each quarter end and is calculated as follows:

- 0.10% per annum of the gross value at the quarter end of marketable securities, cash and other assets excluding any direct investment in property assets;
- 0.01% of property assets up to a maximum of EUR 1,239.47 per building.

In addition, the custodian bank was reimbursed by the Fund for all charges and fees levied by correspondents (clearing systems or banks) for the Fund's assets and marketable securities.

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

As administrator, custodian, domiciliary and transfer agent, RBC was entitled to receive out of the assets of the Fund an annual fee of EUR 30,958 for the provision of administration and transfer agency services, which is payable annually (plus VAT thereon, if any).

On February 6, 2018, the Board of Directors resolved to terminate with immediate effect the appointment with RBC Investor Services Bank S.A. as registrar and transfer agent.

On January 21, 2019, the custodian agreement and services agreement entered into by the Fund with RBC Investor Services Bank S.A. have been terminated with effect on April 30, 2019 and July 31, 2019 respectively.

As the new custodian and central administrator have been appointed on February 5, 2020 (see Note 23), the migration deadline has been postponed to the same date against an agreed fee of EUR 10,000.

Note 17 – Employee benefit expenses

During the financial year 2019, the Fund had on average 1.65 full time equivalents employees (2018: 1.65 employees).

At year-end, employee benefit expenses were as follows:

	Year ended December 31, 2019	**Year ended December 31, 2018**
Salaries	85,617	78,890
Social charges	29,542	29,196
	115,159	**108,086**

Note 18 – Administrative and professional fees

	Year ended December 31, 2019	**Year ended December 31, 2018**
Legal fees	168,716	-
Audit fees	64,717	61,793
Other professional fees	816,810	451,165
Directors' fees (Note 20b)	167,482	174,816
Administrative expenses	39,666	40,245
	1,257,391	**728,019**

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

Note 19 – Taxation

Taxation at Fund level

Pursuant to current legislation and regulations, the Fund is liable in Luxembourg to an annual tax ("Taxe d'abonnement") of 0.01% payable quarterly and calculated on the basis of the Fund's net assets at each quarter end.

Pursuant to current legislation in Luxembourg, the Fund is not liable for any company levies or taxes on capital gains, or any property taxes on buildings that it owns in the Grand Duchy of Luxembourg, apart from land taxes.

Taxation at subsidiary level

The subsidiary is subject to all taxes applicable to commercial companies in Luxembourg.

Note 20 – Transactions with related parties

20a Borrowings

As at December 31, 2019, the amount owed to Pillar Securitisation S.à r.l., including capitalised interests amounted to EUR 5,947,448 (2018: EUR 39,387,060). See Note 12.

20b Directors' fees

Each member of the Board of Directors of the Fund is entitled to receive remuneration consisting of fixed annual remuneration ranging from EUR 19,563 to EUR 51,310 (net of taxes) to be paid quarterly in arrears and on a prorata temporis basis, plus an attendance fee per board meeting of EUR 580.

Total Directors' fees for 2019 were EUR 167,482 (2018: EUR 174,816). Total Directors' fees payable as at December 31, 2019 were EUR 61,130 (2018: EUR 61,881).

Note 21 – Issue, redemption and conversion of shares

The Fund is not under any obligation to redeem its shares at the unilateral request of a shareholder. The Board of Directors will have full discretion to operate such redemptions in accordance with the Fund's and its shareholders' general interests.

Shareholders whose shares are redeemed by the Fund will be paid a price per share based on the net asset value per share of the Class as determined on the relevant valuation date, in accordance with the provisions of Article 22 of the articles of incorporation and payable within 15 business days thereafter.

If in exceptional circumstances beyond the Fund's control it is not possible to make the payment within such period, then such payment shall be made as soon as reasonably practicable thereafter but without interest.

Any repurchase request by a shareholder shall be made in a written instrument and shall be treated by the Fund as an irrevocable request.

Notes to the consolidated financial statements (Continued)

For the year ended December 31, 2019

Note 22 – Contingencies and commitments

At year-end, the Fund has a EUR 5,947,448 (2018: EUR 39,387,060) loan secured by a first ranking mortgage over the properties owned by the Fund, a first ranking pledge over the shares of Immo Hesperange S.à r.l., the Fund's subsidiary, a first ranking pledge over the rental accounts and a first priority assignment on any lease contracts, rental guarantees and insurance agreements related to the properties.

Note 23 – Subsequent events

Since December 31, 2019, the spread of the novel Coronavirus, also known as COVID-19, has severely impacted many economies around the globe. In many countries, including Luxembourg, businesses were forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in a global economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilise the economic conditions. Consequences of the outbreak have also contributed to significant volatility in global stock markets.

Due to lockdown restrictions, including the closure of the borders between Luxembourg, Germany and France between mid-March and mid-May 2020, our employee's presence in the Fund's offices in Luxembourg has been reduced to the absolute minimum and all board meetings have been held via telephone conference. During this period, two of our commercial tenants have requested non-material and temporary rent reductions, which have been granted in line with common market practice in Luxembourg.

The Fund has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. In the opinion of the Board of Directors, the consequences of the COVID-19 outspread have neither materially nor adversely affected the Fund's business and its operating results.

On February 5, 2020, the Fund appointed Banque Havilland S.A. to act as the depositary and paying agent of the Fund. Concurrently, the Fund entered into an administrative agency, corporate secretariat and domiciliation agreement with ADEPA Asset Management S.A.

On February 25, 2020, the maturity date of the loan provided by Pillar Securitisation S.à r.l. was extended until January 31, 2021 (see Note 12), with a reduction of the single PIK interest from 8% to 3% per annum starting January 31, 2020.

Beginning of May 2020, the Fund repaid EUR 4,037,394 of the outstanding loan balance to Pillar Securitisation S.à r.l.