

Hotel Employees Provident Fund

Report and Financial Statements in English 31 December 2023

This document has been translated from the original version in Greek. In the event that differences exist between this translation and the original Greek text, the document in the Greek language will prevail over this document.

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Hotel Employees Provident Fund

Administrative Committee and other information

Administrative Committee

Ioannis Pantazis, Chairman

Michalis Frangou, Secretary (appointed 1 December 2023)

Neophytos Ttiminis, Secretary (Secretary up to 25 May 2023 and Member since 25 May 2023)

Miltiades Miltiadous, Secretary (Member up to 25 May 2023, Secretary since 25 May 2023 and resigned 1 December 2023)

Pavlos Theocharous, Member

Anna Michaelides-Ataliotis, Member (resigned 13 June 2023)

Maria Tsokkou, Member

Socratis Solomides, Member

Marios Ioannou, Member

Marios Ellinas, Member

Andreas Skitsas, Member

Antonis Pelekanos, Member

Heracles Stylianou, Member

Andreas Ioannou, Member

Alexios Chrysaphinis, Member (Appointed 13 June 2023)

Office personnel

Marinos Gialeli, General Manager

Stella Charalambous, Chief Financial Officer

Eleni Antoniou

Andri Adamou

Sofia Georgiadou

Xenia Iacovou

Registered Office

Xenios Commercial Center

62A Karpenisiou and Arch. Makariou Avenue

Office number 107 – 111

1077 Nicosia

Hotel Employees Provident Fund

Report of the Administrative Committee

The Administrative Committee presents its report together with the audited financial statements of the Fund for the year ended 31 December 2023.

Members

The changes in the number of Members of the Fund during the year were as follows:

	2023 Number	2022 Number
Members at beginning of the year	13.752	13.502
New members that were registered	1.179	927
	<u>14.931</u>	<u>14.429</u>
Less:		
Members who retired	173	178
Members who withdrew	286	433
Members who passed away	7	14
Members who withdrew for health purposes	49	52
	<u>515</u>	<u>677</u>
Members at the end for the year	<u>14.416</u>	<u>13.752</u>

The active members for which contributions were collected during the year 7.638 (2022: 7.014).

Movement of the Fund

The movement of the Fund during the year was as follows:

	€
Members' contribution	9.248.637
Employers' contribution	6.949.962
Benefits paid or payable	(14.043.716)
Net income from sale and investments' revaluation in shares, bonds and investment properties	8.965.058
Net Investment Income	774.838
Net Increase of money available for investment	<u>11.894.779</u>
Value of the Fund at 31 December 2022	231.156.460
Value of the Fund at 31 December 2023	<u><u>243.051.239</u></u>

Hotel Employees Provident Fund

Report of the Administrative Committee (continued)

Investment Strategy of the Fund

Main investment objective

Investing wisely to meet the reasonable expectations of Members, assuming an acceptable level of risk.

In view of the continuous achievement of the main investment objective, the Administrative Committee has also set the following investment goals:

Investment goals

- **Targeted Annual Investment Return**

The targeted investment return is 4.3% per year in the medium term investment horizon (10 years) based on the most recent review of the March 2021 investment strategy.

- **Investment Risk**

In relation to the above goal, the Administrative Committee accepts with a probability 1 out of 20 (5% probability) that the yield may be equal to -0,4% per year or lower in the medium term investment horizon (10 years).

The main investment objective and investment goals set, are:

Investment Principles

- To define and implement an investment policy that meets the provisions of Fund's Regulations and the Establishment, the Activities and the Supervision of Funds for occupation Retirement Benefits Law 2020 and comply with the principles included in the Declaration of the Fund's Investment Policy.
- Implement an investment policy taking into consideration the characteristics of all the members of the Funds given below:

Currency: Euro

Fund's maturity: Relatively mature

Average Age: 51 (simple)

Targeted Investment Horizon: Medium (10 years)

Investment Risk: Low

Need for Liquidity: High

Hotel Employees Provident Fund

Report of the Administrative Committee (continued)

Investment Strategy of the Fund (continued)

Strategy

The Administrative Committee has determined the Fund's investment policy after receiving experts' advice. The most recent review of the Fund's strategic allocation dates to March 2021 and forms the basis for the design of current investment policy. For the study on the strategic allocation of the Fund, the investment risks that the Fund may face in its effort to achieve the stated objectives were measured and evaluated.

The medium-term investment policy of the Administrative Committee is included in the strategic investment allocation of the Fund's reserve, as described below:

Investment Type	Target distribution %	Percentage distribution at 31 December 2022 %	Allowable limits %
Development Investments	33	32	23 - 43
Bonds	16	12	11 - 21
Real Estate	18	18	13 - 23
Alternative Investments	13	15	8 - 15
Deposits	3	8	2 - 33
Member Loans	17	15	7 - 27
Total	100	100	
Expected performance in the ten years		4,3 % per year	
Investment risk (5% lower performance in the three years)		-0,4% per year	

The table below shows the targeted allocation for each type of investment for the purposes of alignment with the Law Directives 2021:

Investment type	Percentage distribution at 31 December 2023 %	Maximum Allowable limit %
Expressed in foreign currency	5	30
Total in shares and non-government bonds	42	70
Non traded on regulated markets	35	40
Alternative investments not including real estate	14	15

Hotel Employees Provident Fund

Report of the Administrative Committee (continued)

Investment Strategy of the Fund (continued)

Process

- **Frequency of revision of the Strategic Assets Allocation**

The Administrative Committee is committed, as an important part of its duty to the members to control investment risk, to review its investment policy every three years or sooner if necessary, for example in the event of a significant change in the characteristics of the Fund (e.g. due to Restructuring).

The Fund's investment strategy was revised in March 2021.

- **Frequency of revision of the Declaration of Principles of Investment Policy**

According to the Law, the Administrative Committee commits to revise the Declaration at least every three years or earlier if necessary. The Declaration should be revised without delay after any major change in the Fund's Investment policy.

- **Professional Advice and Responsibilities**

The Administrative Committee has the ultimate responsibility for all investment decisions. If the Administrative Committee does not have the resources, experience or expertise to make decisions, it will seek official advice from experts.

The Administrative Committee often meets to discuss matters relating to the Fund's Investments. Specifically:

- To receive and review reports on the Funds Investment returns.
- To receive advice on the implementation of the investment program.
- To communicate with the various external investment advisors and managers.
- To monitor and evaluate the performance of the Fund.

- **Dispersion**

The Administrative Committee recognises as a principle that the prudent management of the Fund's assets implies adequate dispersion in and within the different types of investments. The Administrative Committee agrees that a wide range of investment options will be considered for investment. Additionally, it is committed that each type of investment will be adequately dispersed by geographical area, industry, type of investment, issuer and other investment criteria, where feasible.

Hotel Employees Provident Fund

Report of the Administrative Committee (continued)

Investment Strategy of the Fund (continued)

Process (continued)

- **Investment Restriction**

In order to control the risk, the Administrative Committee commits to adhere to the allowed limits for investments as defined by the Directive. It has also set allowed limits around the strategic allocation of the Fund's assets for each type of investment (see table above). More specifically, the Administrative Committee commits not to invest more than 10% in total to companies or funds of the Group to which the sponsoring Company belongs.

- **Application**

For cash investment, the Administrative Committee has decided to put in place a strategic allocation of cash to minimize risk. Cash investments may include cash funds that have a high rating and include investments with a maturity of less than 13 months.

- **Regular Asset allocation/Reset Allocation of Assets**

The Fund Administrators are allowed to invest the assets of the Fund within the limits of the above strategy. Where there is a need for reinstating within the strategy due to market reassessment or regular movements, the approval of the Administrative Committee is needed.

In cases where the distribution of Fund's assets deviates from the permitted limits of the investment strategy, the Administrative Committee commits to restart the investment policy within the allowed limits. These moves should be made in such way that the assets of the Fund are not negatively affected by any violent changes in securities trading.

In any event, the Administrative Committee is committed to restore the Fund's investment policy within the strategic limits within a reasonable time frame, taking into account factors such as:

- a) the particular characteristics of each class of investment,
- b) market conditions,
- c) the extend that the defined investment profile of the Fund has been affected/diversified, as well as the approach/tolerance to the inherent risk; and
- d) the future outflows/inflows of funds from/to the Fund.

Hotel Employees Provident Fund

Report of the Administrative Committee (continued)

Investment Strategy of the Fund (continued)

Process (continued)

In addition, where the tendency to approach the maximum or minimum fluctuation bandwidth rates/limits for each investment class is observed, the Administrative Committee will take timely corrective action to avoid any overrun.

- **Use of Methods for covering Foreign exchange risk**

Methods of hedging foreign exchange risk will be used when deemed necessary and when currency risk is considered a significant risk to the Fund.

- **Use of Derivatives**

According to the Law, the use of derivative instruments is only allowed to control or reduce the investment risk. Investments in hedging funds to improve the overall investment risk and portfolio performance can be excluded from this provision.

- **Guidelines for Investment purposes**

For each investment authorisation mandated by the Administrative Committee, a series of Investment Objectives must be agreed with the funds' Administrator. These objectives focus on risk control by setting prudent investment limits, managing investment principles and transparent information procedures.

- **Investment Performance Analysis**

The Administrative Committee has established an official assessment cycle of the Fund's return on investment as an additional measure to control investment risk. The investment performance reports to be provided will include:

- Investment returns per quarter, year and long-term for each Fund Administrator and investment class.
- Comment on the achievement of the investment objectives given to each Fund Administrator or for each type of investment and the overall investment objective of the Fund.
- Confirmation of compliance with the guidelines for investment purposes as set out above. Where there has been an infringement, the reason and proposed corrective measures must be given in writing.
- Explanation of the reasons that led to the above investment returns.
- Quantified risk measurement methods, such as risk-related performance indicators, measurement of yield fluctuation and risk of minimal potential returns.

Hotel Employees Provident Fund

Report of the Administrative Committee (continued)

Investment Strategy of the Fund (continued)

Involved parties and their Role

The involved parties hired by the Administrative Committee are:

Involved parties

Remuneration

Consultant: Aon Hewitt (Cyprus) Ltd

Role: Help the Administrative Committee to develop and implement the Fund's Investment policy. This includes:

- Develop investment strategy
- Monitoring of Fund Administration
- Training seminars on investment issues
- Support to the Administrative Committee
- Ensure compliance with the Law

Annual pre-agreed fee

Fund Administrators:

Global stocks:

- ARGUS
- Veritas
- GQG Partners Global Equity
- T. Rowe Global Growth Equity
- State Street
- Insight

Percentage of assets under administration

Private stocks:

- Commonfund

Bond funds of absolute goal:

- PIMCO

Bond funds of absolute capital:

- Goldman Sachs

Infrastructure:

- Legg Mason Rare Infrastructure Fund
- Lazard

Private Funds:

- ARCHMONT (X-BLUEBAY)

Hotel Employees Provident Fund

Report of the Administrative Committee (continued)

Investment Strategy of the Fund (continued)

Involved parties and their Role (Continued)

Compensation Funds:

- Blackstone
- CFM Stratus
- Capula Global Relative value Fund Limited
- Marshall Wace Global Opportunities
- Statestreet Passive Global Equity

Real estate Funds:

- Cbre/Global Investors
- Aviva/Encore

Emerging markets:

- Pacific North of South – emerging markets
- RWC – global emerging markets
- Statestreet – emerging markets

Money Market Funds:

- Argus

Results for the year

The results of the Provident Fund for the year are represented at page 14.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Provident Fund are described in Note 6 of financial statements.

Administrative Committee

The members of the Administrative Committee during the date of this report are shown on page 1. All of them were members of the Administrative Committee throughout the year 2023, except Mr. Alexios Chrysaphinis who was appointed as Member on 13 June 2023 and Mr. Michalis Frangou who was appointed as Secretary on 1 December 2023. Mr. Miltiades Miltiadous and Ms. Anna Michaelides who were members from 1 January 2023, resigned on 1 December 2023 and 13 June 2023 respectively.

According to the regulations of the Fund, the Commission consists of the President appointed by the Pancyprian Hotel Association and twelve members, six of whom are appointed by the Pancyprian Hoteliers Association and two of the PEO and SEK guilds. The remaining four members are elected with the suggestion of the SEK and PEO Trade Unions at the Annual General Meeting of the members' representatives from members of the Provident Fund.

Internal Auditor of the Fund

For better governance of the Provident Fund, the Administrative Committee appointed the internal audit of the Fund to KPMG.

Hotel Employees Provident Fund

Report of the Administrative Committee (continued)

Investment Consultant for investment matters of General Nature

The Provident Fund for the employees of the Hotel Industry appointed the international firm of actuaries and consultants Aon Hewitt Associates for the role of Investment Consultant for the Provident Fund.

Events after the date of the statement of net assets available for benefits

The material post balance sheet events, which have a bearing on the understanding of the financial statements are disclosed in Note 19 to these financial statements.

Independent Auditors

The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office.

By the Order of the Administrative Committee

Ioannis Pantazis
Chairman

Nicosia, 23 April 2024



Independent Auditor's Report To the Members of the Hotel Employees Provident Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Hotel Employees Provident Fund (the “Fund”), which are presented in pages 16 to 43 and comprise the statement of net assets available for benefits as at 31 December 2023, the statement of changes in net assets available for benefits for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the amount and disposition of the assets and liabilities of the Fund as at 31 December 2023, and of its financial transactions for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Fund's Regulations and the Establishment, the Activities and the Supervision of Funds for Occupational Retirement Benefits Laws of 2020.

Basis for Opinion

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

Other information

The Fund's Administrative Committee is responsible for the other information. The other information comprises the Report of the Administrative Committee, but does not include the financial statements and our auditor's report thereon.

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

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Administrative Committee for the Financial Statements

The Fund's Administrative Committee is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and the requirements of the Fund's Regulations and the Establishment, the Activities and the Supervision of Funds for Occupational Retirement Benefits Laws of 2020, and for such internal control as the Administrative Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Administrative Committee 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 Administrative Committee either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Administrative Committee is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the 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 Administrative Committee.
- Conclude on the appropriateness of the Administrative Committee'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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Administrative Committee 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.

Other Matter

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

Loizos A. Markides
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 23 April 2024

Hotel Employees Provident Fund

Statement of changes in net assets available for benefits for the year ended 31 December 2023

	Note	2023 €	2022 €
Contributions			
From Members	8&18	9.248.637	8.031.001
From Employers	8&18	6.949.962	6.031.917
		16.198.599	14.062.918
Benefits paid or payable			
To withdrawn members	9&18	(14.043.716)	(19.582.478)
Contributions less benefits		2.154.883	(5.519.560)
Investment return for the year	10		
Interest income on:			
Loans to Members		711.239	715.421
Investments:			
Net (loss)/profit from sale and revaluation of investments at fair value through profit & loss	15(β)	8.080.314	(8.480.388)
Dividends		365.580	291.967
Investment properties:			
Fair value gain/(loss)	14&17	614.744	335.431
Rental income	14	776.621	842.835
Amounts retained according to paragraph 9(c) of articles of association		47.421	43.679
Net return on outgoing members		(76.651)	(67.218)
Administrative and other expenses	11	(801.493)	(825.842)
Defence contribution on interest income, dividends, rents and loans to Members		(43.096)	(22.254)
Other income		65.217	99.272
		9.739.896	(7.067.097)
Change in the net assets available for benefits		11.894.779	(12.586.657)
Balance of Fund at beginning of the year		231.156.460	243.743.117
Balance of Fund at end of the year	18	243.051.239	231.156.460

The notes on pages 16 to 43 are an integral part of these financial statements.

Hotel Employees Provident Fund

Statement of net assets available for benefits at 31 December 2023

	Σημ.	2023 €	2022 €
Assets			
Non-current assets			
Plant and machinery	13	60.366	71.549
Investment properties	14	22.210.000	21.495.000
Loans to members	15 (a)	32.596.843	31.613.261
		<u>54.867.209</u>	<u>53.179.810</u>
Current assets			
Financial assets at fair value through profit or loss	15 (b)	173.042.151	160.119.052
Loans to members	15 (a)	4.288.606	5.311.358
Financial assets at amortised cost:			
Contributions receivable	8 & 15 (a)	2.364.715	2.097.315
Interest receivable	15 (a)	5.082	5.082
Rents and other receivables - net	15 (a)	7.854	22.553
Cash and cash equivalent	16	8.804.259	10.736.667
		<u>188.512.667</u>	<u>178.292.027</u>
		<u>243.379.876</u>	<u>231.471.837</u>
Total assets			
Liabilities			
Non-current liabilities			
Deferred tax	17	(154.188)	(138.688)
		<u>(154.188)</u>	<u>(138.688)</u>
Current liabilities			
Defence contribution payable		(47.188)	(47.040)
Deferred income from rents and accrued expenses		(127.261)	(129.649)
		<u>(174.449)</u>	<u>(176.689)</u>
Total liabilities		<u>(328.637)</u>	<u>(315.377)</u>
Balance of Fund – Members’ accounts	18	<u>243.051.239</u>	<u>231.156.460</u>

The financial statements were authorised for issue by the Administrative Committee on 23 April 2024 and signed on behalf of:

Ioannis Pantazis, Chairman

Michalis Frangou, Secretary

The notes on pages 16 to 43 are an integral part of these financial statements.

Hotel Employees Provident Fund

Notes to the financial statements

1 General information

(a) The Fund

The Hotel Employees Provident Fund ("Fund"), which is a defined contributions scheme, was established by the Cyprus Hotels Association, the Cyprus Workers' Confederation (TEC) and the Pancyprian Federation of Labour (PFL) for the purpose of providing benefits to the members of the Fund ("Members"), or their legal heir, on the occasion of termination of employment, inability of work, retirement or death.

(b) Members

All monthly or weekly paid employees who have reached the age of 16 and have at least six months of continuous service in the Hotel Industry will be registered as Members of the Fund.

(c) Administrative Committee

The Administrative Committee is responsible for the administration and the investment policy of the Fund in accordance with the statute and the Fund Regulations and the relevant Legislation. For this purpose it meets periodically to assess all the issues related to the Fund.

According to the regulations of the Fund, the Committee consists of the Chairman appointed by the Cyprus Hotels Associations and twelve members, six of whom are appointed by the Cyprus Hotels Association and two by the TEC and PFL trade unions. The remaining four members are elected with the suggestion of the TEC and PFL trade union at the Annual General meeting of the members' representatives from members of the Provident Fund.

(d) Taxation

The Fund is not liable to taxation, in accordance with the provisions of the Income Tax Law. Income from interest receivable, rents (reduced by 25%) and dividends are subject to special defence contribution. The Fund is also subject to capital gains tax.

(e) Operating environment of the Fund

War between Russia and Ukraine

During 2021, the Russian economy continued to be negatively impacted by the ongoing political tension in the region and international sanctions against certain Russian companies and individuals, with the tension intensifying towards the end of 2021 as a result of further developments of the situation with Ukraine. From late February 2022 the conflict between Russia and Ukraine escalated further and the situation remains highly unstable.

Hotel Employees Provident Fund

1 General information (Continued)

(e) Operating environment of the Fund (Continued)

In response to the conflict, a number of sanctions have been imposed on Russian entities to restrict them from having access to foreign financial markets, including removing access of several Russian banks to the international SWIFT system.

The EU, UK and US (amongst others) have also imposed sanctions against the Russian central bank, restricting the access of the Russian state to foreign currency reserves, and introduced further asset freezes against designated individuals/entities and sectoral sanctions.

The situation is still evolving and further sanctions and limitations on business activity of companies operating in the region, as well as consequences on the Russian economy in general, may arise but the full nature and possible effects of these are unknown.

Nonetheless, the Fund is not significantly impacted from the conflict, as its operations are not affected by the situation however it will continue monitoring the situation and take action if required.

The Administrative Committee has taken and continues to take necessary measures to ensure minimum disruption and sustainability of the Fund's operations and support the Fund's employees, members and suppliers.

Israel – Gaza Conflict

The Israel-Gaza conflict has escalated significantly after Hamas launched a major attack on 7 October. Companies with material subsidiaries, operations, investments, contractual arrangements or joint ventures in the War area might be significantly exposed. Entities that do not have direct exposure to Israel and Gaza Strip are likely to be affected by the overall economic uncertainty and negative impacts on the global economy and major financial markets arising from the war. This is a volatile period and situation, however, the Fund is not directly exposed. The Management will continue to monitor the situation closely and take appropriate actions when and if needed.

The future effects of the conflict in the region and the general economic conditions of the above events and measures on the Cyprus economy, and consequently on the future financial performance, cash flows and financial position of the Fund, are difficult to predict and Administrative committee's current expectations and estimates could differ from actual results. The Fund's Administrative Committee believes that it is taking all the necessary measures to maintain the viability of the Fund and the development of its business in the current economic environment.

Hotel Employees Provident Fund

2 Basis of preparation

The financial statements of the Provident Fund for Employees of the Hotel Industry, have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Fund's Regulations and the Regulations of the Provident Fund and the Establishment, the Activities and the Supervision of Funds for Occupational Retirement Benefits Law of 2020.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2023 and are relevant with the operations of the Fund have been adopted by the EU through the endorsement procedure established by the European Commission.

The material accounting policies applied in the preparation of these financial statements are set out below in Note 4. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation to fair value of the investment properties and the financial assets at fair value through statement of changes in net assets available for benefits.

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

3 Adoption of new and revised standards and interpretations

During the current year the Fund adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2023. This adoption did not have a material effect on the accounting policies of the Fund.

4 Summary of material accounting policies

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

Revenue recognition

The Fund recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Fund and when specific criteria have been met for each of the Fund's activities as described below. The Fund bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Hotel Employees Provident Fund

4 Summary of material accounting policies (continued)

Revenue recognition (continued)

Revenues earned by the Fund are recognised on the following bases:

(a) Interest Income

Interest income from financial assets at Fair value through profit or loss (FVTPL) is included in the other gains/(losses) - net on these assets. Interest income on financial assets at amortised cost and financial assets at Fair value through other comprehensive income (FVOCI) calculated using the effective interest method is recognised in the statement of changes net assets available for benefits as "Other income".

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit - impaired financial assets – Stage 3 the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of loss provision).

(b) Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVTPL). Dividends are recognised as other income in profit or loss when the Fund's right to receive payment is established.

(c) Rental income

Rental income arising from the operating leases which recognized on a straight -line basis over the term of the lease.

Contributions and benefits

Contribution and benefits are accounted for in the period that they fall due and payable respectively.

Foreign currency translation

(a) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which the Fund operates ("the functional currency"). The financial statements are presented in Euro (€), which is the Fund's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re measured.

Hotel Employees Provident Fund

4 Summary of material accounting policies (continued)

Foreign currency translation (continued)

(b) Transactions and balances (continued)

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in statement of changes in net assets available for benefits.

Current and deferred income tax

The tax expense for the period comprises defence contribution and deferred tax. Tax is recognised in statement of net assets available for benefits.

The defence contribution is calculated on the basis of the tax laws enacted or substantively enacted at the statement of net assets available for benefits date in the country of operation and generates taxable income. Administrative Committee of Fund periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Plant and equipment

All plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of plant and equipment.

Depreciation on plant and equipment is calculated using the straight line method to allocate their cost over their estimated useful lives. The annual depreciation rates are as follows:

	%
Plant and machinery	30
Computer equipment	30
Office equipment	10
Vehicles	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of net assets available for benefits date, if considered necessary.

Hotel Employees Provident Fund

4 Summary of material accounting policies (continued)

Plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Expenditure for repairs and maintenance of plant and equipment is charged to the statement of changes in net assets available for benefits of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably.

Gains and losses on disposal of plant and equipment are determined by comparing proceeds with carrying amount and are recognized in statement of changes in net assets available for benefits.

Investment property

Investment property, principally comprising land and buildings. Investment property is carried at fair value, representing open market value determined annually by external valuers.

Leases – Lessor

The Fund is the lessor

(a) Operating lease

Where the Fund is a lessor in a lease who does not transfer substantially all the risks and rewards incidental to ownership to the lessee(i.e. operating lease), the income from the lease are presented as a "income from rent" at the present value of the future lease payments. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

The modification of operating leases is recognized by the Fund as a new lease from the date of the modification, with any prepaid or accrued leases relating to the original lease being considered part of the rent payments for the new lease.

(b) *Impairment of lease receivable*

The Fund recognizes credit loss allowance on lease receivables. The ECL is determined in the same way as for financial assets measured at AC and recognized through an allowance account. In assessing the ECL, the Fund considers the cash flows that may result from obtaining and selling the assets subject to the lease.

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Hotel Employees Provident Fund

4 Summary of material accounting policies (continued)

Financial assets

Financial assets - Classification

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

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortized cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss.

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Fund commits to deliver a financial instrument. All other purchases and sales are recognized when the Fund becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

Financial assets – Measurement

At initial recognition, the Fund measures a financial asset at its fair value. Transaction costs of financial assets at fair value are expensed in the statement of changes in net assets available for benefits. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

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

Hotel Employees Provident Fund

4 Summary of material accounting policies (continued)

Financial assets (continued)

Financial assets – Measurement (continued)

Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the of statement of changes in net assets available for benefits. Financial assets measured at amortized cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade receivables and financial assets at amortized cost.
- **FVTPL:** Assets that do not meet the criteria for amortized cost are measured at FVTPL. A gain or loss on a debt instruments that is subsequently measured at FVTPL is recognized in profit or loss and presented in statement of changes in net assets available for benefits in the period in which it arises.

Equity instruments

The Fund subsequently measures all equity investments at fair value. Dividends from such investments continue to be recognized in statement of changes in net assets available for benefits as dividend when the Fund's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in the statement of changes in net assets available for benefits.

Financial assets – impairment – allowance for Expected Credit Loss

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

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of changes in net assets available for benefits. Subsequent recoveries of the amounts for which a credit loss has been previously recognised are credited against the same line item in the stamen of net assets available for benefits.

Debt instruments measured at AC are presented in the statement in net assets available for benefits in net assets available for benefits, net of the allowance for ECL.

Hotel Employees Provident Fund

4 Summary of material accounting policies (continued)

Financial assets (continued)

Financial assets – impairment – allowance for Expected Credit Loss (continued)

The impairment methodology applied by the Fund for calculating expected credit losses depends on the type of financial instrument assessed for impairment. Refer to Note 6, Credit risk section for a description of impairment methodology applied by the Fund for calculating expected credit losses for financial assets that are subject to impairment under IFRS 9.

Financial assets - Reclassification

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

Financial assets – write-off

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

Financial assets – modification

The Fund sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Fund assesses whether the modification of contractual cash flows is substantial.

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

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

Classification as cash and cash equivalents

Cash and cash equivalents are carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Hotel Employees Provident Fund

4 Summary of material accounting policies (continued)

Financial assets (continued)

Classification as financial assets at amortised cost

These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment.

Financial liabilities – measurement categories

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

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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 interest expense.

Restructuring provisions comprise lease termination penalties and employee termination payments and are recognised in the period in which the Fund becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Fund are not provided in advance. Provisions related to the future operating losses of the Fund are not provided.

Comparative Information

Comparative amounts have been restated to reflect changes in the current year's presentation.

5 New accounting pronouncements

At the date of approval of these financial statements a number of new standards, interpretations and amendments to existing standards are effective for annual periods beginning after 1 January 2023 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Fund.

Hotel Employees Provident Fund

6 Financial risk management

(i) Financial risk factors

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

The Fund's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's financial performance. Risk management is carried out by the Management and the central treasury department under policies approved by the Administrative Committee. The Management identifies, evaluates and hedges financial risks in close co operation with the Fund's investment committee. The Administrative Committee provides principles for risk management, as outlined in Note 1.

• Market Price risk

Exposure

The Fund is exposed to equity securities price risk because of investments held by the Fund and classified on the statement of net assets available for benefits as investments at FVTPL.

Sensitivity

The table below summarises the effect of increases/decreases in stock market index on changes in net assets of the Fund. The analysis is based on the assumption that the share price increased/decreased by 5% with all variables remaining stable:

	Impact on changes in net assets available for benefits	
	2023	2022
	€	€
Index		
Stock exchange - Cyprus and abroad	5.083.634	4.501.938

The net assets available for benefits would be increased/decreased by the above amounts as a result of gains/losses on equity securities classified at fair value through profit or loss.

In order to manage market price risk, the Fund expands its portfolio. The portfolio is expanded according to the limits set by the Administrative Committee on the basis of the investment policy of the Fund.

Cash Flow and Fair value interest rate risk

Exposure

The Fund has significant interest-bearing assets, so the Fund's income and cash flow are heavily dependent on changes in market interest rates.

Hotel Employees Provident Fund

6 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Market Price risk (continued)**

Cash Flow and Fair value interest rate risk (continued)

Exposure (continued)

The Administrative Committee does not manage the interest rate risk on a systematic basis but monitors interest rate fluctuations on a continuous basis and, taking into account the Fund's Investment Policy, acts accordingly. To this end, the Administrative Committee is requesting offers from financial institutions in Cyprus to secure the highest interest rate.

The interest rate on loans to members is determined annually by the Administrative Committee based on the lending rates of commercial banks.

Sensitivity

At 31 December 2023, if interest rates on bank deposits and loans to members were 0,5% higher or lower, the change in net assets available for benefits of the year would be €233.307 (2022: €230.647) higher or lower due to an increase/decrease in interest income.

- **Credit risk**

Credit risk is the risk of a party in a financial asset to cause economic loss to the owner party due to the nonfulfillment of a certain obligation. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, contributions receivable from hotels, and from loans to Members.

(i) Risk management

Credit risk is managed on an individual basis.

For banks and financial institutions, only organisations that, at the discretion of the Administrative Committee, are rated with a high degree of solvency are accepted. These organisations mainly include commercial banks.

As of 15 April 2014, pursuant to Article 19 (1) of the Professional Retirement Provisions Regulations of 2014, each member is entitled to a loan of up to 45% of the amount payable to the member when it is likely to withdraw, as at the day of the loan. For contributions receivable, the necessary measures are taken to recover overdue debts which include close monitoring and disclosure of these debts to the Relevant Authority.

Hotel Employees Provident Fund

6 Financial risk management (continued)

(i) Financial risk factors (continued)

• Credit risk (continued)

(ii) *Impairment of financial assets*

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

- financial assets at amortized cost (loans to members, contributions receivable, debt instruments and other receivables),
- cash and cash equivalents.

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

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

Impairment losses are presented as net impairment losses on financial in statement of changes in net assets available for benefits. Subsequent recoveries of amounts previously written off are credited against the same line item.

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

Hotel Employees Provident Fund

6 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Credit risk (continued)**

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

Especially the following indicators are incorporated:

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

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

Write-off. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Fund. Where debt financial assets have been written off, the Fund continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Financial assets at amortized cost

The Fund assesses, on an individual basis, its exposure to credit risk arising from financial assets at amortised cost. This assessment takes into account, amongst others, the period the loan or other receivable balance is past due (in days) and history of defaults in the past, adjusted for forward looking information.

The Fund uses three categories for loans, receivables, which reflect their credit risk and how the loss provision is determined for each of those categories.

Hotel Employees Provident Fund

6 Financial risk management (continued)

(i) Financial risk factors (continued)

• Credit risk (continued)

(ii) Impairment of financial assets (continued)

A summary of the assumptions underpinning the Fund's expected credit loss model is as follows:

Category	Fund definition of category	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Performing	Counterparties where credit risk is in line with original expectations	Stage 1: 12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	Gross carrying amount.
Underperforming	Counterparties for which a significant increase in credit risk has occurred compared to original expectations.	Stage 2: Lifetime expected losses.	Gross carrying amount.
Non-performing	Interest and/or principal repayments are past due or it becomes probable a customer will enter bankruptcy.	Stage 3: Lifetime expected losses.	Amortised cost carrying amount (net of credit allowance).

The following tables contain an analysis of the credit risk exposure of each class of financial instruments for which an ECL allowance is recognised.

Investments in debts, loans for members, contributions receivable, interest receivable, rent and other receivables at 31 December 2023

The gross carrying amounts below represent the Fund's maximum exposure to credit risk on these assets as at 31 December 2023 and 31 December 2022:

Company internal credit rating	2023 €	2022 €
Performing	38.107.525	38.005.862
Underperforming	1.155.575	1.043.707

The Fund does not hold any collateral for any of the above balances other than loans to members which are covered by the borrower's balance sheet balance as described above.

Cash and cash equivalents

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

Hotel Employees Provident Fund

6 Financial risk management (continued)

(i) Financial risk factors (continued)

• Credit risk (continued)

(ii) Impairment of financial assets (continued)

The gross carrying amounts below represent the Fund's maximum exposure to credit risk on these assets as at 31 December 2023 and 31 December 2022:

	External Creditworthiness	2023 €	2022 €
Moody's	Ba2	-	10.724.032
Moody's	Baa3	8.788.867	-
Total cash at bank ⁽¹⁾		8.788.867	10.724.032

⁽¹⁾ The above amounts are analysed in Note 16(a) and (b). The remaining amount compared to the statement of net assets available for benefits is cash on hand and cash in transfer as explained in Note 16.

The estimated loss allowance on cash and cash equivalents as at 31 December 2023 and 31 December 2022 was immaterial. All cash and cash equivalents were performing (Stage 1) as at 31 December 2023 and 31 December 2022.

The Fund does not hold any guarantee as a security for any of the deposits at bank, other than the deposits guaranteed by the Government.

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

The Fund is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments €173.402.540 (2022: €160.119.052).

(ii) Capital risk management

The members' accounts represent the capital of the Fund. The Fund is not exposed on capital risk management because according with the Fund's Regulations no borrowing is allowed.

(iii) Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

Hotel Employees Provident Fund

6 Financial risk management (continued)

(iii) Fair value estimation (continued)

- For the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Fund's financial assets and liabilities that are measured at fair value at 31 December 2023.

At 31 December 2023	Level 1	Level 2	Total
Assets	€	€	€
Financial assets at fair value through profit or loss			
- Domestic investment fund Argus	-	245	245
- Alternative investments/Compensation Funds	-	34.831.672	34.831.672
- Real Estates Funds	9.092.718	11.536.702	20.629.420
- Development Investments	66.526.288	11.407.588	77.933.876
- Bonds	15.836.059	13.593.263	29.429.322
- Money Market	10.217.616	-	10.217.616
Total financial assets measured at fair value	101.672.681	71.369.470	173.042.151

The following table presents the Fund's financial assets and liabilities that are measured at fair value at 31 December 2022.

At 31 December 2022	Level 1	Level 2	Total
Assets	€	€	€
Financial assets at fair value through profit or loss			
- Domestic investment fund Argus	-	441.648	441.648
- Alternative investments/Compensation Funds	-	32.724.861	32.724.861
- Real Estates Funds	10.889.709	12.820.272	23.709.981
- Development Investments	57.189.277	10.166.643	67.355.920
- Bonds	21.959.769	13.926.873	35.886.642
Total financial assets measured at fair value	90.038.755	70.080.297	160.119.052

There were no transfers between Levels 1 and 2 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of net assets available for benefits date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Fund is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily Cyprus and foreign Stock Exchange equity investments and corporate debentures listed on the Cyprus and foreign Stock Exchange classified as financial assets at fair value through profit or loss.

The fair value of financial instruments that are not traded in an active market (for example, unlisted equity securities) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Hotel Employees Provident Fund

6 Financial risk management (continued)

(iii) Fair value estimation (continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Refer to Note 14 for disclosures of fair values for investment property respectively carried at fair value.

7 Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

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

- **Fair value of investment property**

The fair value of investment property is based on the market value of the property, which takes into account all the physical and legal characteristics of the property subject to rent. The market value is determined by the Administrative Committee on the basis of estimates by independent valuers and market data. During the year due to the ongoing economic crisis and its impact on the real estate market, there was a limited number of similar sales and the estimates were made using non-observable data (Note 14).

- **Impairment of financial assets**

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

8 Contributions

Contributions to the Fund are made by Members and Hotels. The Contributions are calculated as a percentage of the total salary (basic and indexation allowance), excluding the 13th salary and Easter bonus, from the day a Member enters the Fund until the date he ceases to qualify for the Fund. Contribution rates from 1 April 1999 to 30 April 2013 are 10% for members and hotel employers, credited to Individual Members' accounts as Account A and B respectively. According to the "Memorandum of Understanding for an Extraordinary Special Collective Agreement in the Hotel Industry" with effect from 1 May 2013, the employer's contribution to the Provident Fund is 3% and employee's contribution is either 3% or 10% depending on what the employee chooses. From 2016 the employer's contribution to the Fund is 5% and the employee's contribution may be either 5% or 10% depending on the employee choices.

Hotel Employees Provident Fund

8 Contributions (continued)

As of 31 December 2023 there were contributions receivable from various hotels amounting to €2.364.715 (2022: €2.097.315). Overdue contributions (over one month) amount to €1.155.575 (2022: €1.043.707). Until 27 March 2024 a total of €696.682 was collected. The Administrative Committee shall take the necessary measures to recover the remaining amount and assesses has the expected credit loss from contributions receivable would not be significant.

9 Benefits paid or payable

Members withdrawing from the Fund are entitled to payment of the amounts credited to their A and B accounts, including their share in return on investments in accordance with the Articles of Association and the Fund Regulations until the last day of the month preceding the payment.

In the case of Members who voluntarily leave before completing a three-year service in the Hotel Industry, then their B accounts amounts are transferred to the Special Fund account and are allocated to the A and B accounts of the Members remaining in the Fund. The percentages transferred from the B accounts of the Members voluntarily withdrawing are as follows:

	%
Before service up to 1 year	100
For service up to 1 year	75
For service up to 2 years	50
For service more than 3 years	-

Based on Article 29(3) of the Fund's Regulations and the Establishment, the Activities and the Supervision of Funds for Occupational Retirement Benefits Law of 2020, no reduction of accrued rights by a Fund is allowed, except in cases of voluntary termination of employment by members before completing four years of continuous employment with the employing companies. Provided that, in the case of Provident Fund, it is forbidden to reduce the accumulated rights resulting from the personal contributions.

10 Investment returns for the year

At the end of each year the net return on investments is transferred to the special fund account, the balance of which is allocated to the Members' personal accounts in proportion to the amounts credited at the end of the year.

Hotel Employees Provident Fund

11 Expenses by nature

	2023 €	2022 €
Depreciation of plant and equipment (Note 13)	31.403	27.722
Staff cost (Note 12)	390.053	385.439
Repairs and maintenance of investment property	14.562	29.973
Maintenance	33.478	59.958
Property taxes and sewerage expenses	3.562	3.191
Valuations of investment property	5.712	6.902
Audit fees – including VAT	19.933	19.933
Members and property insurance	57.715	59.250
Legal expenses	27.468	16.323
Professional rights	46.260	11.018
Investment consultants' fees	78.796	76.458
Reimbursement of portfolio expenses	(23.976)	(21.036)
Special services from trade unions and PASYXE	7.854	8.094
Stationery and printing	5.241	4.751
Telephone and post	6.530	7.484
Electricity and water	10.803	10.222
Expenses of the General Meeting	7.453	6.248
Bank expenses	10.806	80.054
Administrative Committee's members expenses	-	6.900
Office shared expenses	42.647	17.532
Office traveling expenses	7.809	1.285
Office cleaning expenses	4.374	2.999
Other expenses	13.010	5.142
Total cost of administrative and other expenses	<u>801.493</u>	<u>825.842</u>

12 Staff cost

	2023 €	2022 €
Salaries	314.431	317.523
Social insurance and other funds	49.133	43.266
Contributions to the Provident Fund	26.489	24.650
Total	<u>390.053</u>	<u>385.439</u>
Average number of staff employed during the year	<u>11</u>	<u>11</u>

Hotel Employees Provident Fund

13 Plant and machinery

	Plant €	Computer Equipment €	Building equipment €	Vehicles €	Total €
Non-current assets					
At 1 January 2022					
Cost	25.523	282.225	280.417	9.700	597.865
Accumulated depreciation	(25.523)	(261.535)	(214.849)	(9.700)	(511.607)
Net book amount	-	20.690	65.568	-	86.258
Year ended 31 December 2022					
Opening net book amount	-	20.690	65.568	-	86.258
Additions	-	6.935	6.078	-	13.013
Depreciation charge	-	(14.675)	(13.047)	-	(27.722)
Closing net book amount	-	12.950	58.599	-	71.549
At 31 December 2022					
Cost	25.523	289.160	286.495	9.700	610.878
Accumulated depreciation	(25.523)	(276.210)	(227.896)	(9.700)	(539.329)
Net book amount	-	12.950	58.599	-	71.549
Year ended 31 December 2023					
Opening net book amount	-	12.950	58.599	-	71.549
Additions	1.785	10.769	7.666	-	20.220
Depreciation charge	(535)	(15.900)	(14.968)	-	(31.403)
Closing net book amount	1.250	7.819	51.297	-	60.366
At 31 December 2023					
Cost	27.308	299.929	294.161	9.700	631.098
Accumulated depreciation	(26.058)	(292.110)	(242.864)	(9.700)	(570.732)
Net book amount	1.250	7.819	51.297	-	60.366

14 Investment property

	Xenios Building €	Foti Pitta Land and Buildings €	Dorothea Building €	Colossi Land €	Total 2023 €	Total 2022 €
Fair value at 1 January	11.300.000	3.205.000	5.275.000	1.715.000	21.495.000	21.100.000
Subsequent expenditure during the year	4.284	-	80.472	-	84.756	36.569
Net (loss) / profit from adjustments to the fair value of investment property	538.216	210.000	(195.472)	77.500	630.244	358.431
Fair value at 31 December	11.842.500	3.415.000	5.160.000	1.792.500	22.210.000	21.495.000

All the investment properties are located in the Republic of Cyprus.

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14 Investment property (continued)

Investment property is revalued annually by the Administrative Committee on 31 December on the basis of estimates by independent valuers and market data. Estimates are based on the market value on the free market using the comparative and investment valuation method that takes into account all the physical and legal characteristics of the property including the value of the property subject to rent.

Investment property relates to land and buildings held by the Fund for long-term rental returns or gains from capital appreciation.

The balance of €11.842.500 (2022: €11.300.000) for the Xenios Building includes accumulated fair value gains of €3.331.586 (2022: €2.793.370) from total revaluations made up to 31 December 2023.

The balance of €3.415.000 (2022: €3.205.000) for Fotis Pitta's land and building includes accumulated fair value gains of €908.674 (2022: €698.674) from total revaluations made up to 31 December 2023.

The balance of €1.792.500 (2022: €1.715.000) includes accumulated fair value gains of €950.330 (2022: €872.830) from total revaluations made up to 31 December 2023.

The balance of €5.160.000 (2022: €5.275.000) for the Dorothea building includes accumulated fair value losses of €579.091 (2022: €383.619) from total revaluations made up to 31 December 2023.

The investment property of the Fund is recognised at fair value. The Fund has 2 Investment property categories which comprise of office buildings and land.

The Fund uses a revised valuation technique based on non-observable data due to the limited number of similar sales and other observable data.

The revised valuation technique uses the sales comparison approach to calculate the fair value of the property by adjusting it for non-observable data in conjunction with the investment approach that approximates the value of the property on the basis of its capital value, meaning the annual income which the owner-investor derives or could derive from the property.

Valuation procedures

The Fund's investment properties were valued at 31 December 2023 by independent valuers who hold relevant recognised professional qualifications and have recent experience in estimating investment property in the areas and real estate sector. For all investment properties, today's use equates to higher and better use. The Administrative Committee of the Fund includes a team that examines the valuations performed by independent valuers for financial reporting purposes. Discussion on valuation procedures and results between the Administrative Committee and independent valuers take place at least once a year. At the end of each financial year, the finance department of the Fund:

- Verifies all relevant data used for the independent assessment report,
- Evaluates changes in the property value compared to the previous year's valuation report; and
- Conducts discussions with the independent valuers.

Changes in Level 3 fair values are analyzed at each reporting date during the annual discussions between the Administrative Committee and the valuation team.

Hotel Employees Provident Fund

14 Investment property (continued)

Valuation procedures (continued)

Information about fair value estimates using significant non-observable data (level 3)

2023

Property	Estimate €	Valuation technique	Average value per square metre €
Xenios Building	11.842.000	Revised comparative valuation method and investment valuation method	1.443
Foti Pitta Land and Building	3.415.000	Revised comparative valuation method and investment valuation method	1.340
Dorothea Building	5.160.000	Revised comparative valuation method and investment valuation method	1.966
Colossi land	1.792.500	Revised comparative valuation method and investment valuation method	57

2022

Property	Estimate €	Valuation technique	Average value per square metre €
Xenios Building	11.300.000	Revised comparative valuation method and investment valuation method	1.376
Foti Pitta Land and Building	3.205.000	Revised comparative valuation method and investment valuation method	1.257
Dorothea Building	5.275.000	Revised comparative valuation method and investment valuation method	2.010
Colossi Land	1.715.000	Revised comparative valuation method and investment valuation method	55

The higher the value per square meter the higher is the fair value. If the value per square meter of investment property was 10% higher or lower than the estimates made, the book value of the investment property would be €2.221.000 (2022: €2.149.500) higher or lower.

There are also, inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. An increase in the future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.

Hotel Employees Provident Fund

14 Investment property (continued)

Valuation procedures (continued)

Total rental income and annual return for the year ended 31 December 2023 were:

Property	Occupancy rate %	Annual return %	Rental income €
Xenios Building	88	3,54	419.379
Foti Pitta Land and Buildings	100	3,93	134.338
Dorothea Building	100	4,32	222.904

Total rental income and annual return for the year ended 31 December 2022 were:

Property	Occupancy rate %	Annual return %	Rental income €
Xenios Building	88	3,71	419.045
Foti Pitta Land and Buildings	100	3,76	120.569
Dorothea Building	100	5,75	303.221

15 Financial assets

a) Financial assets at amortised cost

Financial assets at amortised cost include the following:

	2023 €	2022 €
Loans to Fund's Members (1)	36.885.449	36.924.619
Interest receivables	5.082	5.082
Contribution receivables	2.364.715	2.097.315
Rents and other receivables	7.854	22.553
Financial assets at amortised cost- net	39.263.100	39.049.569

¹⁾ Member's loans are repayable with monthly instalments and bear interest 1% - 2% (2021: 1% - 2%).

The movement of loans to members during the year is as follows:

	2023 €	2022 €
At beginning of year	36.924.619	38.128.244
Loans granted during the year	4.222.342	4.084.337
Interest charged	711.239	715.421
Repayments	(4.994.349)	(6.023.495)
Other expenses	21.598	20.112
At end of year	36.885.449	36.924.619

Hotel Employees Provident Fund

15 Financial assets (continued)

a) Financial assets at amortised cost (continued)

The loans granted to the Members of the Fund carry an interest rate which is adjusted periodically after a decision made by the Administrative Committee.

The carrying amounts of the Fund's financial assets at amortized cost are denominated in the following currencies:

	2023 €	2022 €
Euro – functional and presentation currency	39.263.100	39.049.569

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of financial asset at amortised cost mentioned above.

Impairment and risk exposure

Note 6 sets out information about the impairment of financial assets and the Fund's exposure to credit risk.

b) Financial assets at fair value through profit or loss

Financial assets measured at FVTPL include the following:

	2023 €	2022 €
Investment and other funds		
Absolute real estate		
Encore+/Aviva Investment Fund	9.092.718	10.889.709
CBRE Investment Fund	11.536.702	12.820.272
	20.629.420	23.709.981
Equity instruments		
Global stocks:		
Veritas Asset Management Investment Fund	14.048.869	11.914.828
Funds managed by Argus Stockbrokers	4.023.797	3.059.773
Unigestion Investment Fund	3.164.208	2.696.906
GQG Partners Global Equity Investment Fund	6.877.338	4.207.585
Statestreet Passive Global Equity Investment Fund	3.386.652	2.841.407
European stocks:	1.256.675	-
Adelphi Equity Investment Fund		
Emerging markets:	3.884.312	3.857.328
RWC – global emerging markets Investment Fund	4.056.000	3.451.200
Pacific UCITS Equity Investment Fund	478.103	448.277
State Street emerging markets Investment Fund	292.656	-
Private capital stocks		
COMMONFUND Investment Fund	11.114.932	10.166.643
Infrastructure funds		
Lazard Global Active Funds Investment Fund	12.584.246	11.584.727
Legg Mason Rare Infrastructure Fund Investment Fund		
	12.766.088	12.333.428
Scattered Development Funds		
Newton Fund Investment Fund	-	793.818
	77.933.876	67.355.920

Hotel Employees Provident Fund

15 Financial assets (continued)

a) Financial assets at fair value through profit or loss (continued)

	2023 €	2022 €
Bonds		
Bonds Absolute Goal		
PIMCO Investment Fund	4.285.429	8.039.609
Bonds Absolute Capital		
Goldman Sachs Investment Fund	4.415.409	13.920.160
Statestreet Bond Index Fund Investment Fund	7.135.221	-
Private Loans		
ARCHMONT (X-BLUEBAY) Investment Fund	13.593.263	13.926.873
	29.429.322	35.886.642
Compensation Funds		
C.F. Multiple Strategies:		
Blackstone Partners Offshore Sterling Fund plc – Investment Fund -hedging	14.577.224	14.021.531
CFM Stratus – Investment Fund - hedging	7.964.747	7.155.903
C.F. Macroeconomic Strategies:		
Capula Global Relative Value Fund Limited - Investment Fund-hedging	3.513.369	3.271.190
C.F. Risk rewarding		
Marshall Wace Global Opportunities - Investment Fund-hedging	8.776.332	8.276.237
Money Market Funds		
Argus Investment Fund	10.217.616	-
	45.049.288	32.724.861
Total Foreign Investment	173.041.906	159.677.404
Argus (i) Investment Fund	245	441.648
Total	173.042.151	160.119.052

(i) The Argus domestic investment fund includes bank deposits.

Amounts recognized in profit or loss

Changes in fair values of financial assets at fair value through profit or loss are recorded in “statement of changes at net assets available for benefits” and are analysed as follows:

	2023 €	2022 €
Financial assets at fair value through profit or loss – mandatorily measured at FVTPL		
Fair value gains	11.180.048	3.699.678
Fair value losses	(3.099.734)	(12.177.431)
Losses from sale of shares	-	(2.635)
Net fair value gain on financial assets at fair value through profit or loss	8.080.314	(8.480.388)

(ii) Fair value and exposure

Information about the methods and assumptions used in determining fair value and sensitivity of the assets to price risk are provided in Note 6.

Hotel Employees Provident Fund

In addition, during the year there was a dividend income of €365.580 (2022: €291.967) from financial assets at fair value through profit or loss, which is included in the “statement of changes at net assets available for benefits”.

The fair value of all equity instruments is based on their current bid prices in an active market.

16 Cash and cash equivalents

	2023 €	2022 €
Cash in hand	15.392	12.635
Cash at bank	8.788.867	10.274.032
	<u>8.804.259</u>	<u>10.736.667</u>

17 Deferred Tax

	Revaluation of investment properties €
At 1 January 2022	115.688
Deferred tax movement	23.000
At 31 December 2022 /1 January 2023	<u>138.688</u>
Deferred tax movement	15.500
At 31 December 2023	<u>154.188</u>

18 Members' Accounts

	Account A €	Account B €	Total €
At 1 January 2022	122.988.367	120.754.750	243.743.117
Contributions received	6.825.798	5.139.805	11.965.603
Contributions receivable	1.205.203	892.112	2.097.315
Investment return for the year	(3.633.530)	(3.433.567)	(7.067.097)
Benefits paid or payable to withdrawn members	(9.808.855)	(9.773.623)	(19.582.478)
At 31 December 2022/ 1 January 2023	<u>117.576.983</u>	<u>113.579.477</u>	<u>231.156.460</u>
Contributions received	7.893.736	5.940.148	13.833.884
Contributions receivable	1.354.901	1.009.814	2.364.715
Investment return for the year	5.057.813	4.682.083	9.739.896
Benefits paid or payable to withdrawn members	(6.942.241)	(7.101.475)	(14.043.716)
At 31 December 2023	<u>124.941.192</u>	<u>118.110.047</u>	<u>243.051.239</u>

In accordance with the article 9 (c) of the Fund's articles of association, amount of €47.421 (2022: €43.679) of the balances of withdrawn members were credited to the “Special Fund” account, the balance of which was allocated to personal accounts A and B of the remaining members of the Fund on 31 December 2023 (Note 8).

Hotel Employees Provident Fund

19 Events after the statement of net assets available for benefits

There were no material events after the statement of net assets available for benefits date which have an impact on the understanding of the financial statements.

Independent auditor's report on pages 11 to 13.