

Fraternity Funds SICAV p.l.c.

Interim Combined Financial Statements

For the period from 01 January 2021 to 30 June 2021

Fraternity Funds SICAV p.l.c.

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Fraternity Funds SICAV p.l.c.

Directors, Officers and other information

Directors	Dr. Alexia Ellul Mr. Joseph M. Formosa Mr. Michal Kosac Mr. David Grech (appointed on 12 August 2021)
Registered Office	Central North Business Centre Level 1, Sqaq il-Fawwara Sliema SLM 1670 Malta
Company Registration Number	SV534
Administrator	Apex Fund Services (Malta) Limited Central North Business Centre Level 1, Sqaq il-Fawwara Sliema SLM 1670 Malta
Company Secretary	Apex Corporate & Advisory Services Ltd Central North Business Centre Level 1, Sqaq il-Fawwara Sliema SLM 1670 Malta
Investment Committee	Mr. Michal Kosac Mr. Joseph M. Formosa Dr. Simon Grima
Custodian	European Depositary Bank SA 3, Rue Gabriel Lippmann L-5365 Munsbach Luxembourg
Statutory Auditor	KPMG 92 Marina Street Pieta MT PTA 9044 Malta
Legal Advisor	CDF Advocates 25/23 Vincenti Buildings Strait Street Valletta VLT 1432 Malta

Fraternity Funds SICAV p.l.c.

Statement of Financial Position As at 30 June 2021

		The Company
		30.06.2021
	Note	€
Current assets		
Cash and cash equivalents	5	101,135
Financial assets at fair value through profit or loss	11	22,252,038
Loans and interest receivable	17	5,703,383
Prepaid expenses		19,670
Other receivables		931,313
Total Current assets		29,007,539
Total assets		29,007,539
Equity and Liabilities		
Share capital and Reserves		
Share capital	6	1,000
Retained earnings		-
Total equity		1,000
Liabilities		
Current liabilities		
Interest payable	12	180,127
Administration fees payable	13.3	10,314
Audit fees payable		8,000
Other payables	13.5	3,133
Due to founder shareholders	8	12,000
Total Current liabilities		213,574
Non-Current liabilities		
Bonds issued	12	17,645,005
Total Non-Current liabilities		17,645,005
Total liabilities		17,858,579
Net assets attributable to holders of redeemable shares		11,140,580
Total Equity and Liabilities		29,007,539

Fraternity Funds SICAV p.l.c.

Statement of Financial Position (continued) As at 30 June 2021

		The Company 31.12.2020 €
Current assets		
Cash and cash equivalents	5	86,826
Prepaid expenses		658
Recoverable expenses from unitholders' funds	7	60,668
Total Current assets		<u>148,152</u>
Total assets		<u>148,152</u>
Equity and Liabilities		
Share capital and Reserves		
Share capital	6	1,000
Retained earnings		-
Total equity		<u>1,000</u>
Liabilities		
Current liabilities		
Audit fees payable		6,195
Other payables	13.5	4,957
Due to founder shareholder	8	12,000
Subscription received in advance		124,000
Total Current liabilities		<u>147,152</u>
Total liabilities		<u>147,152</u>
Total Equity and Liabilities		<u>148,152</u>

The accompanying notes are an integral part of these financial statements. These also include more detailed information about the amounts attributable to the founder shareholders and the financial position relating to the sub-funds, in the next page.

The financial statements on pages 3 to 24 were approved and authorised for issue by the Board of Directors on 28 October 2021 and were signed on its behalf by:



Mr Michal Kosac
Director



Dr Alexia Ellul
Director

Fraternity Funds SICAV p.l.c.

Statement of Financial Position (continued) As at 30 June 2021

The following table provides more detailed information about the amounts attributable to the founder shareholders and the position relating to the sub-funds. This information is being presented in accordance with the prevalent local practice.

	Note	Attributable to founder shareholders	Attributable to:	
		30.06.2021 €	Opportunity Fund 30.06.2021 €	Real Estate Fund 30.06.2021 €
Current assets				
Cash and cash equivalents	5	1,000	10,382	89,753
Financial assets at fair value through profit or loss	11	-	-	22,252,038
Loans and interest receivable	17	-	-	5,703,383
Due from sub-funds	8	-	52,067	-
Prepaid expenses		-	9,835	9,835
Other receivables		-	-	931,313
Total Current assets		1,000	72,284	28,986,322
Total assets		1,000	72,284	28,986,322
Equity and Liabilities				
Share capital and Reserves				
Share capital	6	1,000	-	-
Retained earnings		-	-	-
Total equity		1,000	-	-
Liabilities				
Current liabilities				
Interest payable	12	-	-	180,127
Administration fees payable	13.3	-	5,063	5,251
Audit fees payable		-	4,000	4,000
Management fees payable	13.1	-	536	6,844
Other payables	13.5	-	1,566	1,567
Due to sub-funds	8	-	-	52,067
Due to founder shareholder	8	-	12,000	-
Total Current liabilities		-	23,165	249,856
Non-Current liabilities				
Bonds issued	12	-	-	17,645,005
Total Non-Current liabilities		-	-	17,645,005
Total liabilities		-	23,165	17,894,861
Net assets attributable to holders of redeemable shares		1,000	49,119	11,091,461
Total Equity and Liabilities		1,000	72,284	28,986,322

Fraternity Funds SICAV p.l.c.

Statement of Financial Position (continued) As at 30 June 2021

The following table provides more detailed information about the amounts attributable to the founder shareholders and the position relating to the sub-funds. This information is being presented in accordance with the prevalent local practice.

	Note	Attributable to founder shareholders	Attributable to:	
		31.12.2020 €	Opportunity Fund 31.12.2020 €	Real Estate Fund 31.12.2020 €
Current assets				
Cash and cash equivalents	5	1,000	85,826	-
Due from sub-funds	8	-	25,063	-
Prepaid expenses		-	329	329
Recoverable expenses from unitholders' funds	7	-	30,358	30,310
Total Current assets		1,000	141,576	30,639
Total assets		1,000	141,576	30,639
Equity and Liabilities				
Share capital and Reserves				
Share capital	6	1,000	-	-
Retained earnings		-	-	-
Total equity		1,000	-	-
Liabilities				
Current liabilities				
Audit fees payable		-	3,098	3,097
Other payables	13.5	-	2,478	2,479
Due to sub-funds	8	-	-	25,063
Due to founder shareholder	8	-	12,000	-
Subscription received in advance		-	124,000	-
Total Current liabilities		-	141,576	30,639
Total liabilities		-	141,576	30,639
Total Equity and Liabilities		1,000	141,576	30,639

The above information is an integral part of the notes to these financial statements.

Fraternity Funds SICAV p.l.c.

Statement of Comprehensive Income For the period ended 30 June 2021

	Note	The Company 30.06.2021 €
Income		
Net loss on financial assets at fair value through profit or loss		(300,887)
Net loss on foreign exchange		(24,111)
Interest income calculated using the effective interest method	14	76,711
Other income		906,819
Total investment income		658,532
Expenditure		
Administration fees	13.3	(17,739)
Audit fees	13.4	(40,170)
Directors and investment committee fees	8	(10,916)
Professional fees		(1,180)
Other operating expenses	16	(535,684)
Total operating expenses		(605,689)
Operating profit before finance costs		52,843
Interest expense	15	(177,839)
Total finance costs		(177,839)
Loss for the period		(124,996)
Other comprehensive income		-
Total comprehensive loss for the period		(124,996)

The accompanying notes are an integral part of these financial statements. These also include more detailed information about the amounts attributable to the founder shareholders and the position relating to the sub-funds, in the next page.

Fraternity Funds SICAV p.l.c.

Statement of Comprehensive Income (continued) For the period ended 30 June 2021

The following table provides more detailed information about the amounts attributable to the founder shareholders and the position relating to the sub-funds. This information is being presented in accordance with the prevalent local practice.

	Note	Attributable to	Attributable to :	
		founder shareholders 30.06.2021 €	Opportunity Fund 30.06.2021 €	Real Estate Fund 30.06.2021 €
Income				
Net loss on financial assets at fair value through profit or loss		-	-	(300,887)
Net loss on foreign exchange		-	(147)	(23,964)
Interest income calculated using the effective interest method	14	-	-	76,711
Other income		-	-	906,819
Total investment (loss)/income		-	(147)	658,679
Expenditure				
Administration fees	13.3	-	(9,188)	(8,551)
Audit fees	13.4	-	(20,085)	(20,085)
Directors and investment committee fees	8	-	(5,458)	(5,458)
Professional fees		-	(590)	(590)
Management fees	13.1	-	(536)	(6,844)
Other operating expenses	16	-	(38,877)	(496,807)
Total operating expenses		-	(74,734)	(538,335)
Operating (loss)/profit before finance costs		-	(74,881)	120,344
Interest expense	15	-	-	(177,839)
Total finance costs		-	-	(177,839)
Loss for the period		-	(74,881)	(57,495)
Other comprehensive income		-	-	-
Total comprehensive loss for the period		-	(74,881)	(57,495)

The above information is an integral part of the notes to these financial statements.

Fraternity Funds SICAV p.l.c.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares For the period ended 30 June 2021

	The Company €
Balance at the beginning of the period	-
Issue of redeemable shares during the period	11,272,956
Redemption of redeemable shares during the period	-
Transactions with holders of redeemable shares	<hr/> 11,272,956
Decrease in net assets attributable to holders of redeemable shares	(132,376)
Net assets as at the end of the period attributable to holders of redeemable shares	<hr/> 11,140,580 <hr/>

The accompanying notes are an integral part of these financial statements. These also include more detailed information about the amounts attributable to the founder shareholders and the position relating to the sub-funds, in the next page.

Fraternity Funds SICAV p.l.c.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares (continued) For the period ended 30 June 2021

	Attributable to unitholder of investor shares of:	
	Opportunity Fund €	Real Estate Fund €
Balance at the beginning of the period	-	-
Issue of redeemable shares during the period	124,000	11,148,956
Redemption of redeemable shares during the period	-	-
Transactions with holders of redeemable shares	<hr/> 124,000	<hr/> 11,148,956
Decrease in net assets attributable to holders of redeemable shares	(74,881)	(57,495)
Net assets as at the end of the period attributable to holders of redeemable shares	<hr/> 49,119	<hr/> 11,091,461

The above information is an integral part of the notes to these financial statements.

Fraternity Funds SICAV p.l.c.

Statement of Changes in Equity Attributable to Founder Shareholders For the period ended 30 June 2021

	Share capital	Retained earnings	Total
	€	€	€
Balance as at the beginning of the period	1,000	-	1,000
Transactions with owners			
Issue of founder shares during the period	-	-	-
Balance as at the end of the period	1,000	-	1,000

The accompanying notes are an integral part of these financial statements.

Fraternity Funds SICAV p.l.c.

Statement of Cash Flows For the period ended 30 June 2021

	The Company
	30.06.2021
	€
	<hr/>
Cash flows from operating activities	
Operating expenses paid	(639,047)
Net amount received from sub-funds	60,668
Interest received	76,711
Loans provided to related and third parties	(5,703,383)
Purchase of investments	(11,403,969)
Net cash outflows from operating activities	<hr/> (17,609,020) <hr/>
Cash flows from financing activities	
Proceeds from issue of bonds	17,645,005
Interest paid	2,288
Amount received on subscription of shares	124,000
Subscription received in advance	(124,000)
Net cash inflows from financing activities	<hr/> 17,647,293 <hr/>
Net increase in cash and cash equivalents	38,273
Cash and cash equivalents at beginning of period	86,826
Effect of exchange rate fluctuations in cash and cash equivalents	(23,964)
Cash and cash equivalents at end of period	<hr/> 101,135 <hr/>

The accompanying notes are an integral part of these financial statements. These also include more detailed information about the amounts attributable to the founder shareholders and the position relating to the sub-funds, in the next page.

Fraternity Funds SICAV p.l.c.

Statement of Cash Flows (continued) For the period ended 30 June 2021

The following table provides more detailed information about the amounts attributable to the founder shareholders and the position relating to the sub-funds. This information is being presented in accordance with the prevalent local practice.

	Attributable to founder shareholders	Attributable to unitholder of investor shares of:	
	30.06.2021 €	Opportunity Fund 30.06.2021 €	Real Estate Fund 30.06.2021 €
Cash flows from operating activities			
Operating expenses paid	-	(78,798)	(560,249)
Net amount received from sub-funds	-	3,354	57,314
Interest received	-	-	76,711
Loans provided to related and third parties	-	-	(5,703,383)
Purchase of investments	-	-	(11,403,969)
Net cash outflows from operating activities	-	(75,444)	(17,533,576)
Cash flows from financing activities			
Proceeds from issue of bonds	-	-	17,645,005
Interest paid	-	-	2,288
Amount received on subscription of shares	-	124,000	-
Subscription received in advance	-	(124,000)	-
Net cash inflows from financing activities	-	-	17,647,293
Net (decrease)/increase in cash and cash equivalents	-	(75,444)	113,717
Cash and cash equivalents at beginning of period	1,000	85,826	-
Effect of exchange rate fluctuations in cash and cash equivalents	-	-	(23,964)
Cash and cash equivalents at end of period	1,000	10,382	89,753

The above information is an integral part of the notes to these financial statements.

Fraternity Funds SICAV p.l.c.

Notes to the Financial Statements For the period ended 30 June 2021

1 Reporting entity

Fraternity Funds SICAV p.l.c. (the "Company") is organized under the laws of Malta as a multi-fund limited liability investment company with variable share capital (SICAV) incorporated in accordance with the terms of the Companies Act, 1995 (Chapter 386, Laws of Malta) on 21 January 2020 (Date of Incorporation), with registration number SV534 and commenced its operations on 11 June 2020. The Company is licensed and regulated by the Malta Financial Services Authority ("MFSA") under the Investment Services Act (Chapter 370, Laws of Malta) as a Professional Investor Fund which targets Qualifying Investors as set out in the Offering Memorandum and relevant Offering Supplement.

As at the reporting date, the Company has constituted two sub-funds, Opportunity Fund and Real Estate Fund (the "Sub-funds"), which were both licensed on 23 January 2020. The Sub-funds are not separate legal entities. In 2021, the Company, through the Real Estate Fund, has issued bonds which are listed on the Prague Stock Exchange.

The Company is the reporting entity and comprises all the activities of Fraternity Funds SICAV p.l.c. as the entity with the separate legal personality. The Statutory Financial Statements are those presented for the Company. The sub-funds are an integral part of that entity, as these do not have separate legal personality. In accordance with the relevant local practice, the financial statements caption amounts in the primary financial statements are also presented in a segregated format: those amounts 'attributable to founder shareholders', and the position relating to the sub-funds (segregated by the specific sub-fund). Also, in accordance with local practice, where appropriate, disclosures in the notes in the financial statements are segregated by sub-fund. Such presentation of the financial statements is nonetheless not a statutory requirement.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared and presented in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") (the "applicable framework"). All references in these financial statements to IAS, IFRS or SIC/IFRIC interpretations refer to those adopted by the EU. These financial statements have also been prepared and presented in accordance with the provisions of Companies Act, 1995 (Chapter 386, Laws of Malta).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

Going Concern

On 4 January 2021, Opportunity Fund issued 124 investor redeemable shares at € 1,000 per share. In 2021, the Company, through the Real Estate Fund, has issued bonds which are listed on the Prague Stock Exchange and started trading in real estate. Accordingly, these financial statements were prepared on the going concern basis.

2.3 Functional and presentation currency

The financial statements are presented in Euro (€), which is the functional currency of the Company, rounded to the nearest unit. 'Functional currency' is the currency of the primary economic environment in which the Company operates. If indicators of the primary economic environment are mixed, then the directors use its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Company's transactions are denominated in Euro. Investor subscriptions and redemptions are determined based on net asset value, and received and paid in Euro. The expenses are denominated and paid in Euro. Accordingly, the directors have determined that the functional currency of the Company is the Euro.

2.4 Use of assumptions, estimates and judgements

The preparation of financial statements in conformity with IFRS requires the directors to make judgments, estimates and assumptions that affect both the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate was revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult to reach, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 Presentation of Financial Statements.

2.5 New standards and interpretations

The Company did not early adopt new standards, amendments to standards and interpretations which are effective for annual periods beginning after 21 January 2020. None of these are expected to have a significant effect on the financial statements of the Company in the period of initial application.

Fraternity Funds SICAV p.l.c.

Notes to the Financial Statements (continued) For the period ended 30 June 2021

3 Significant accounting policies

The Fund has consistently applied the accounting policies as set out below throughout the period presented in these financial statements.

3.1 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are retranslated to the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of comprehensive income.

3.2 Interest income and interest expense

Interest income comprises interest income on debt instruments. Interest expense comprises interest expense on borrowings. Interest income and interest expense are recognized as they accrue in profit or loss, using the effective interest method.

3.3 Fees expenses

Fees expenses are recognised in the statement of comprehensive income as the related services are performed.

3.4 Financial assets and financial liabilities

3.4.1 Recognition and initial measurement

The Company initially recognises financial assets and financial liabilities at fair value through profit or loss ("FVTPL") on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

3.4.2 Classification and subsequent measurement

On initial recognition, the Company classifies financial assets as measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

All other financial assets of the Company are measured at FVTPL.

As at 30 June 2021, the Company has cash and cash equivalents, which was measured at amortised cost.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Company were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

Classification and subsequent measurement

The Company classified financial assets into the following categories.

- Financial assets at FVTPL
Designated as at FVTPL: Other securities
- Financial assets at amortised cost:
Loans and receivables: cash and cash equivalents and receivables.

The Company designated all debt investments as at FVTPL on initial recognition because it managed these securities on a fair value basis in accordance with its documented investment strategy. Internal reporting and performance measurement of these securities were on a fair value basis.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Fraternity Funds SICAV p.l.c.

Notes to the Financial Statements (continued) For the period ended 30 June 2021

3 Significant accounting policies (continued)

3.4 Financial assets and financial liabilities (continued)

3.4.2 Classification and subsequent measurement (continued)

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

The Company classified financial liabilities into the following categories.

- Financial liabilities at amortised cost:
 - Bonds issued*
 - Other liabilities – other payables.*

3.4.3 Fair value measurement

'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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company measures instruments quoted in an active market at a mid price, because this price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

3.4.4 Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

3.4.5 Impairment

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured at 12-month ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 by Moody's.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Presentation of allowance for ECLs in the statement of financial position.

Fraternity Funds SICAV p.l.c.

Notes to the Financial Statements (continued) For the period ended 30 June 2021

3 Significant accounting policies (continued)

3.4 Financial assets and financial liabilities (continued)

3.4.5 Impairment (continued)

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

3.4.6 Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.4.7 Net gain/loss from financial instruments at fair value through profit or loss

Net gain/loss from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, and interest and dividend income received from these financial instruments.

Net realised gain/loss from financial instruments at fair value through profit or loss is calculated using the average cost method.

3.4.8 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has currently a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign exchange gains and losses.

3.5 Redeemable shares

The Company classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Sub-funds issue redeemable shares on every dealing day defined as 31 December of each year, which are redeemable at the holder's option on every dealing day as defined above. Such shares are classified as financial liabilities. Redeemable shares can be put back to the Sub-funds at any time for cash equal to a proportionate share of the Sub-funds' net asset value attributable to the share class. The redeemable shares are carried at the redemption amount that is payable at the statement of financial position date if the holder exercises the right to put the share back to the Sub-funds.

Redeemable shares are issued and redeemed at the holder's option at prices based on the Sub-funds' net asset value per share at the time of issue or redemption. The Sub-funds' net asset value per share is calculated by dividing the net assets attributable to the holders of each redeemable share with the total number of outstanding redeemable shares. In accordance with the provisions of the Sub-funds' regulations, investment positions are valued annually on 31 December based on the latest available dealing price for the purpose of determining the net asset value per share for subscriptions and redemptions.

3.6 Taxation

In terms of current Maltese fiscal legislation, collective investment schemes are classified as either 'prescribed' or 'non-prescribed' funds for income tax purposes. A collective investment scheme which declares that the value of its assets situated in Malta is less than eighty-five per cent of the value of its total assets is treated as a non-prescribed fund. On this basis, the Company qualifies as a non-prescribed fund for Maltese income tax purposes.

Fraternity Funds SICAV p.l.c.

Notes to the Financial Statements (continued) For the period ended 30 June 2021

3 Significant accounting policies (continued)

3.6 Taxation (continued)

Accordingly, the Company should not be subject to Maltese income tax in respect of the income or gain derived by it, except in respect of any income from immovable property situated in Malta, if any. Capital gains, dividends, interest and any other income from foreign investments held by the Company may nonetheless be subject to tax imposed by the country of origin concerned and any such taxes may not be recoverable by the Company or by the members under Maltese domestic tax law. The sub-funds are not a legal personality, so taxation is applied on the Company, which includes also the sub-funds.

Members resident in Malta

Capital gains realised by Maltese resident investors on the redemption, liquidation or cancellation of units may be subject to a 15% withholding tax. However, the Maltese resident investors may request the Company not to effect the deduction of the said 15% withholding tax in which case the investor would be required to declare the gains in his income tax return and will be subject to tax at the normal rates of taxes.

Members not resident in Malta

Any gains accruing to members not resident in Malta upon the transfer of shares (including a redemption) or upon a distribution on a winding-up of the Company should not be subject to tax in Malta subject to certain conditions being satisfied. The transfer of shares (including a redemption) and any distribution on a winding-up of the Company may result in a tax liability for the non-Maltese members according to the tax regime applicable in their respective countries of incorporation, establishment, residence, citizenship, nationality, domicile, or other relevant jurisdiction.

4 Format of the financial statements

In terms of Section 3(3) of the Third Schedule of the Companies Act, 1995 (Chapter 386, Laws of Malta) the layout, nomenclature and terminology of the items in these audited financial statements were adapted to the special nature of the Company. The profit and loss is referred to as the Statement of Comprehensive Income.

5 Cash and cash equivalents

Cash and cash equivalents as disclosed in the Statement of Cash Flows comprise cash at bank as follows:

	30.06.2021	31.12.2020
	€	€
Founder shareholders	1,000	1,000
Opportunity Fund	10,382	85,826
Real Estate Fund	89,753	-
	<u>101,135</u>	<u>86,826</u>

6 Share capital

The Company's share capital is represented by the Founder Shares. The Founder shares were issued at € 1 each and carry the right to one vote each and shall be the only share class in the Company carrying voting rights. As at 30 June 2021, the Company had € 1,000 issued share capital comprising of 1,000 fully paid-up shares being subscribed as follows:

- Fraternity Capital Limited	999 founder shares
- Mr. Michal Kosac	1 founder share

The total amount of distributions to Founder Shares shall be an amount not exceeding the aggregate of the Management Fee and Performance Fee due under the terms of the Offering Supplements.

7 Redeemable shares and Recoverable expenses against unitholders' funds

Redeemable shares outstanding are represented by "Investor Shares" issued for each of the Sub-funds separately. The Investor shares do not carry any voting rights. The maximum number of authorised investor shares of the Company is five billion (5,000,000,000) shares without any nominal value assigned to them, which may be issued as shares of any class representing the Sub-funds.

The initial offer period of Investor Shares of the Fund opened on 13 March 2020 and was extended till 31 December 2020. On 11 June 2020, Opportunity Fund received the amount of € 124,000 from Fraternity Capital Limited which were recorded as subscriptions received in advance as at 31 December 2020 as the related investor shares were issued on 4 January 2021.

During the period ended 31 December 2020, the Scheme was in the initial offer period and incurred various expenses such as organisation costs, registration fees and professional fees. These costs will be recovered by the sub-funds once investors subscribe in each respective sub-fund.

Fraternity Funds SICAV p.l.c.

Notes to the Financial Statements (continued) For the period ended 30 June 2021

7 Redeemable shares and Recoverable expenses against unitholders' funds (continued)

The movement in the Redeemable shares of the Sub-funds as at 30 June 2021 was as follows:

	Attributable to unitholders of investor shares of:	
	Opportunity Fund No. of shares	Real Estate Fund No. of shares
Balance at the beginning of the period	-	-
Issue of redeemable shares during the period	124	11,149
Balance as at 30 June 2021	124	11,149

The net asset value per share of the Sub-funds were as follows:

Fraternity Opportunity Fund	2021
Investor shares in issue as at end of the period	124
Net asset value of investor shares as at end of the period	49,119
Net asset value per share as at end of the period	396
Fraternity Real Estate Fund	2021
Investor shares in issue as at end of the period	11,149
Net asset value of investor shares as at end of the period	11,091,461
Net asset value per share as at end of the period	995

8 Related party balances and transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions.

Identity of related parties

The Company has a related party relationship with its founder shareholder Fraternity Capital Limited, and the directors Mr. Michal Kosac, Mr. Joseph M. Formosa, Dr. Alexia Ellul and Mr. David Grech. Mr. Michal Kosac and Mr. Joseph M. Formosa are also part of the Investment Committee of the Company. The sub-funds have also entered into transactions between themselves during the period.

The related party balances and related party transactions entered during the financial period 30 June 2021 are mentioned below:

- Opportunity Fund and Real Estate Fund have paid directors and investment committee fees of € 5,458 (2020: € 8,730) each.
- The amount of € 52,067 (2020: € 25,063) was payable by Real Estate Fund to Opportunity Fund for expenses paid by Opportunity Fund on behalf of Real Estate Fund.
- Due to founder shareholder amounted to € 12,000 (2020: € 12,000) in Opportunity Fund for expenses paid by the Founder shareholder on behalf of Opportunity Fund. This balance is not interest-bearing and is current in nature.

There were no other related party transactions during the financial period ended 30 June 2021 other than the transactions mentioned in the Statement of Changes in Equity for transactions with founder shareholders and note 6.

9 Financial risk review

The Company is established as an investment company with variable share capital (SICAV) which implies that financial instruments are extensively used in the course of its routine business. The type of financial instruments in which the Company may invest is regulated by its Offering Memorandum and Offering Supplements investments restrictions.

The Sub-funds are also exposed to market, credit and liquidity risks. This note presents information about the subfund's exposure to these risks, the objectives, policies and process for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

9.1 Market risk

Market risk arises when changes in foreign exchange rates or equity prices affect the positions held by the Company. The Company does not regard either interest rate or commodity risks as material in its case. The Company invests neither in securities that exhibit direct interest rate sensitivity nor in commodities.

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Notes to the Financial Statements (continued) For the period ended 30 June 2021

9 Financial risk review (continued)

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting financial instruments traded in the market. All securities present a risk of loss of capital.

As at 30 June 2021, the Company holds investment in other securities, which was not exposed to price risk.

Currency risk

The Company invests in assets, which can be denominated in currencies other than the Euro, its functional currency. The Company is exposed to risks that the exchange rate of the Euro against other currencies may change in a manner that has an adverse effect on its Net Asset Value.

The Fund's total net exposure to foreign currency exchange rates at the reporting date was as follows:

All amounts stated in EUR for the *Fraternity Real Estate Fund*:

30.06.2021	Cash and Cash equivalents	Loans and interest receivable	Financial Assets at FVTPL	Total net exposure	5% of exposure
Czech Koruna	55,999	5,703,383	22,252,038	28,011,420	1,400,571

All amounts stated in EUR for the *Fraternity Opportunity Fund*:

30.06.2021	Cash and Cash equivalents	Loans and interest receivable	Financial Assets at FVTPL	Total net exposure	5% of exposure
Czech Koruna	2,526	-	-	2,526	126

As at 31 December 2020, the Company did not expose to currency risks. As all the transactions occurred and balances at the reporting date is at functional currency.

As at 30 June 2021, should foreign exchange rates been 5% higher/(lower) against the Euro, with all other relevant variables held constant, the increase/(decrease) in net assets attributable to redeemable participating shareholders for the period would have been as calculated in the above table.

9.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company. It arises principally from cash and cash equivalents. For risk management reporting purposes, the Company considers and aggregates all elements of credit risk exposure (such as individual obligor default risk, country risk and sector risk).

Cash and cash equivalents

The cash and cash equivalents of the Company are held with J&T Banka a.s. which is not rated by a credit rating agency.

9.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's liquidity position is monitored on a regular basis. Redeemable shares are redeemed on demand at the holder's option provided that the redemption request is received by the respective Sub-fund three business days before the relevant dealing day, and if accepted by the Company, they will be dealt on every dealing day which is defined as 31 December of each year.

The Directors may limit the total number of the Investor shares which may be redeemed on any dealing day to 10% of the outstanding Investor shares in a particular sub-Fund. In the event that such a limit is reached at any point during a dealing day, the directors may defer any further redemption instructions received during that dealing day, to such time as the total number of redemption applications received on that dealing day is re-established at less than 10% of the outstanding Investor Shares in the particular sub-Fund.

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Notes to the Financial Statements (continued) For the period ended 30 June 2021

9 Financial risk review (continued)

9.3 Liquidity risk (continued)

The balance of such Investor Shares that are not redeemed on that dealing day because of the limit established above will be redeemed on the next dealing day, subject to the directors' same power of deferral until the original redemption instructions have been satisfied. Redemption requests which are deferred to the following dealing day will be given priority over any redemption requests received in relation to the said dealing day.

Real Estate Fund

On 21 April 2021, Real Estate Fund offered on the Prague Stock Exchange a private placement bond of CZK 400,000,000 and another CZK 50,000,000 on 30 April 2021. The bond is unsecured, its maturity date is on 21 April 2026 and has fixed annual coupon of 5.25%.

All other liabilities of the Company are due within less than one year.

10 Fair value information

Fair value hierarchy

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

As at 30 June 2021 financial assets through profit or loss consist of the following;

Sub-Funds	Currency	Other securities	Level 1	Level 2	Level 3
Fraternity Real Estate Fund	EUR	22,252,038	-	-	22,252,038

Reconciliation of Level 3 investment as at 30 June 2021:

	30.06.2021
	Level 3
	€
Opening balance	-
Purchases	22,417,666
Unrealised loss	(165,628)
Closing balance	<u>22,252,038</u>

11 Financial assets at fair value through profit or loss

As at 30 June 2021, Financial assets at fair value through profit of loss consist of the following:

In EUR	Attributable to unitholders of investor shares of:	
	Opportunity Fund 30.06.2021	Real Estate Fund 30.06.2021
Other securities	-	22,252,038
	<u>-</u>	<u>22,252,038</u>

Fraternity Funds SICAV p.l.c.

Notes to the Financial Statements (continued) For the period ended 30 June 2021

12 Bonds issued

On 21 April 2021, Real Estate Fund offered on the Prague Stock Exchange a private placement bond of CZK 400,000,000 and another CZK 50,000,000 on 30 April 2021. The bond is unsecured, its maturity date is on 21 April 2026 and has fixed annual coupon of 5.25%. Interest payable on bonds on 30 June 2021 amounted to € 180,126.

The carrying amount of bonds issued as at 30 June 2021 is as follows:

Particulars	30.06.2021
	€
Opening balance	-
Bond issued during the period	17,645,005
Unrealised exchange rate losses during the period	-
Interest payable	180,127
Closing balance	<u>17,825,132</u>

13 Fees and other payables

13.1 Management fees

Opportunity Fund

The founder shareholders are entitled to receive a management fee of 2% per annum of the Sub-fund's net asset value, calculated and paid on quarterly basis.

The management fees for the period amounted to € 536 (2020: € Nil) and the outstanding management fees as at 30 June 2021 amounted to € 536 (2020: € Nil).

Real Estate Fund

The founder shareholders are entitled to receive a management fee of 1.5% per annum of the Sub-fund's net asset value, calculated and paid on quarterly basis.

The management fees for the period amounted to € 6,844 (2020: € Nil) and the outstanding management fees as at 30 June 2021 amounted to € 6,844 (2020: € Nil).

13.2 Performance fees

Opportunity Fund

Each holder of Investor Shares will be subject to a Performance Fee payable to the founder shareholders in respect of each calculation period. The performance period ("the Performance Period") shall, with the exception of the first Performance Period, run from 1 January of one year to 31 December of that year. The Performance Fee shall be calculated on the basis of the NAV per Investor Share. The Performance Fee shall be equal to 20% of the amount by which the Net Asset Value per Share (before the deduction of the Performance Fee) has exceeded the NAV Target per Share during the Performance Period, multiplied by the average number of Investor Shares in issue, taken at each valuation point, during that Performance Period, subject to a hurdle rate of 2% per annum.

The NAV Target per Share is equal to the highest of: (i) highest NAV per Share as at the end of any previous accounting period on which a Performance Fee was paid ("the Highest NAV"), or (ii) the Initial Offer Price ("the Initial Price").

The performance fees for the period amounted to € Nil (2020: € Nil) and the outstanding performance fees as at 30 June 2021 amounted to € Nil (2020: € Nil)

Real Estate Fund

The performance period ("the Performance Period") shall, with the exception of the first Performance Period, run from 1 January of one year to 31 December of that year. The Performance Fee shall be calculated on the basis of the NAV per Investor Share. The Performance Fee shall be equal to 15% of the amount by which the Net Asset Value per Share (before the deduction of the Performance Fee) has exceeded the NAV Target per Share during the Performance Period, multiplied by the average number of Investor Shares in issue, taken at each valuation point, during that Performance Period, subject to a hurdle rate of 2% per annum.

The NAV Target per Share is equal to the highest of: (i) highest NAV per Share as at the end of any previous accounting period on which a Performance Fee was paid ("the Highest NAV"), or (ii) the Initial Offer Price ("the Initial Price").

The performance fees for the period amounted to € Nil (2020: € Nil) and the outstanding performance fees as at 30 June 2021 amounted to € Nil (2020: € Nil).

Fraternity Funds SICAV p.l.c.

Notes to the Financial Statements (continued) For the period ended 30 June 2021

13 Fees and other payables (continued)

13.3 Administration fees

Opportunity Fund

The Administrator is entitled to receive a minimum fee of € 15,000 per annum or the below whichever is the greater:

NAV size	Administration fee
Up to € 100 million	0.04% of NAV p.a.
Greater than € 100 million	0.02% of NAV p.a.

The administration fee for the period amounted to € 9,188 (2020: € 500), which is included within Other Operating Expenses in the statement of comprehensive income. The outstanding administration fees as at 30 June 2021 amounted to € 5,063 (2020: € 500).

Real Estate Fund

The Administrator is entitled to receive a minimum fee of € 12,000 per annum or the below whichever the greater:

NAV size	Administration fee
Up to € 100 million	0.03% of NAV p.a.
Greater than € 100 million	0.02% of NAV p.a.

The administration fee for the period amounted to € 8,551 (2020: € 500) which is included within Other Operating Expenses in the statement of comprehensive income. The outstanding administration fees as at 30 June 2021 amounted to € 5,251 (2020: € 500).

13.4 Auditor's Remuneration

The audit fee for the period amounted to € 40,170 (2020: € 6,195) (inclusive of outlays and Value Added Tax).

13.5 Other payables

30 June 2021	Attributable to founder shareholders	Attributable to unitholders of investor shares of:	
		Opportunity Fund	Real Estate Fund
	€	€	€
Accounting fees	-	250	250
Regulatory fees payable	-	125	125
Register fee payable	-	222	222
CRS Services Payable	-	250	250
AIFMD fee payable	-	250	250
Prepaid license fee	-	469	470
	-	1,566	1,567
<hr/>			
31 December 2020	Attributable to founder shareholders	Attributable to unitholders of investor shares of:	
	€	Opportunity Fund	Real Estate Fund
	€	€	€
Accounting fees	-	500	500
Regulatory fees payable	-	500	500
Register fee payable	-	474	474
Setup costs payable	-	750	750
Other legal costs payable	-	254	255
	-	2,478	2,479

Fraternity Funds SICAV p.l.c.

Notes to the Financial Statements (continued) For the period ended 30 June 2021

14 Interest income

Interest income attributable to the founder shareholders consists of interest earned on loans and bank deposits. Total interest amounted to € Nil (2020: € Nil). Interest income of Fraternity Opportunity Fund consists of interest earned on bonds, loans and bank deposits. Total interest income amounted to € Nil (2020: € Nil). Interest income of Real Estate Fund consists of interest earned on bonds and loans. Total interest income amounted to € 76,711 (2020: € Nil).

15 Interest expense

Interest expense is incurred on bonds issued by Real Estate Fund (see note 12) and amounted to € 177,839 (2020: € Nil) for the period

16 Other operating expenses

For the period ended 30 June 2021

	Attributable to founder shareholders €	Attributable to unitholders of investor shares of:	
		Opportunity Fund €	Real Estate Fund €
Compliance officer fee expense	-	2,065	2,065
MLRO fee expense	-	1,475	1,475
Organisation fees	-	5,064	5,064
Other expenses	-	30,273	488,203
	-	38,877	496,807

For the period from 21 January 2020 (Date of Incorporation) to 31 December 2020

	Attributable to founder shareholders €	Attributable to unitholders of investor shares of:	
		Opportunity Fund €	Real Estate Fund €
Compliance officer fee expense	-	3,303	3,303
MLRO fee expense	-	2,360	2,360
Organisation fees	-	6,125	6,125
Other expenses	-	5,562	5,515
	-	17,350	17,303

17 Loans and interest receivable

On 21 April 2021, Real Estate Fund purchased an unsecured debenture of CZK 73,000,000 from TD Beta s.r.o and CZK 70,500,000 from Fraternity Capital Limited with an interest of 7% per annum and maturing on 21 April 2022. The loans and interest receivable as at 30 June 2021 in Real Estate Fund amounted to € 5,703,383.

18 Subsequent events

There are no subsequent events that could have a significant effect on the financial statements as at 30 June 2021.