CPD S.A.

Consolidated financial statements

for the year ended 31 December 2021

Consolidated financial statements

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of comprehensive income

	Note	12 months ended 31 December 2021	12 months ended 31 December 2020
Revenue	16	19 080	18 559
Cost of sales	17	(3 022)	(3 131)
GROSS PROFIT		**16 058**	**15 428**
Administrative expenses - property related	18	(10 715)	(11 926)
Administrative expenses - other	20	(6 441)	(6 578)
Selling and marketing expenses		(303)	(270)
Net gain (loss) on sale of investment property		827	165
Other income	19	3 483	2 811
Net gain from fair value adjustments of investment property		3 699	15 921
Post-tax share of the profit or loss of the joint-ventures accounted for using the equity method		27 005	19 735
Receivables valuation allowances		859	46
Net profit (loss) from assets held for sale valuation		293	(116)
Net gain (loss) on sale of subsidiaries	28	(40)	0
OPERATING PROFIT		**34 725**	**35 216**
Finance income	21	794	1 387
Finance costs	21	(3 736)	(12 741)
PROFIT BEFORE INCOME TAX		**31 783**	**23 862**
Income tax expense	22	(610)	(7 555)
PROFIT FROM CONTINUED OPERATIONS		**31 173**	**16 307**
Result of discontinued operations		0	0
PROFIT FOR THE YEAR		**31 173**	**16 307**
- attributable to the Group equity holders		*31 173*	*16 307*
- attributable to non controlling interest		*0*	*0*
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss upon condition		19	(731)
Other comprehensive income not to be reclassified to profit nor loss		0	0
Other comprehensive income		**19**	**(731)**
TOTAL COMPREHENSIVE INCOME		**31 192**	**15 576**
- attributable to the Group equity holders		*31 192*	*15 576*
- attributable to non controlling interest		*0*	*0*
BASIC EARNINGS PER SHARE (PLN)	30	**2,20**	**0,81**
- from continued operations		*2,20*	*0,81*
- from discontinued operations		*0,00*	*0,00*
DILUTED EARNINGS PER SHARE (PLN)	30	**2,20**	**0,81**
- from continued operations		*2,20*	*0,81*
- from discontinued operations		*0,00*	*0,00*

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position

	Note	As at 31 December 2021	As at 31 December 2020
ASSETS			
Non-current assets			
Investment properties	5	167 667	165 618
Property, plant and equipment		103	212
Investments in joint ventures accounted for using the equity method	10	12 795	27 221
Long-term financial investments		595	0
Non-current receivables	7	494	263
Non-current assets		**181 654**	**193 314**
Current assets			
Inventory	8	3 887	3 601
Trade and other receivables	7	3 264	20 035
Cash and cash equivalents	9	81 773	170 146
Current assets excluding assets held for sale		**88 924**	**193 782**
Assets held for sale	28	4 744	85 250
Current assets		**93 668**	**279 032**
Total assets		**275 322**	**472 346**

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position - cont.

	Note	As at 31 December 2021	As at 31 December 2020
EQUITY			
Capital and reserves attributable to the Group equity holders			
Share capital	11	2 637	2 637
Own shares for redemption		(288 973)	(117 396)
Other reserves		987	987
Embedded element at inception date	13	(27 909)	(27 909)
Translation reserve		(6 243)	(6 262)
Retained earnings/(accumulated losses)		464 164	432 991
Capital and reserves attributable to the Group equity holders		**144 663**	**285 048**
Non-controlling interest		0	0
Total equity		**144 663**	**285 048**
LIABILITIES			
Non-current liabilities			
Trade and other payables	12	2 629	2 820
Borrowings, including leases	13	57 551	5 454
Deferred income tax liabilities	15	14 232	19 352
Non-current liabilities		**74 412**	**27 626**
Current liabilities			
Trade and other payables	12	16 694	51 740
Borrowings, including leases	13	37 309	101 847
Current liabilities excluding liabilities directly associated with assets held for sale		**54 003**	**153 587**
Liabilities directly associated with assets held for sale	28	2 244	6 085
Current liabilities		**56 247**	**159 672**
Total liabilities		**130 659**	**187 298**
Total equity and liabilities		**275 322**	**472 346**

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of changes in equity

	Note	Share capital CPD S.A.	Embedded element at inception date	Own shares	Translation reserve	Reserve capital	Retained earnings	Capital and reserves attributable to the Group equity holders	Non-controlling interest	Total equity
Balance at 1 January 2021		**2 637**	**(27 909)**	**(117 396)**	**(6 262)**	**987**	**432 991**	**285 048**	**0**	**285 048**
Own shares acquired for redemption	11	0	0	(171 577)	0	0	0	(171 577)	0	(171 577)
Transactions with shareholders		**0**	**0**	**(171 577)**	**0**	**0**	**0**	**(171 577)**	**0**	**(171 577)**
Profit of the year		0	0	0	0	0	31 173	31 173	0	31 173
Currency translation differences		0	0	0	19	0	0	19	0	19
Total comprehensive income		**0**	**0**	**0**	**19**	**0**	**31 173**	**31 192**	**0**	**31 192**
Total changes in equity		0	0	(171 577)	19	0	31 173	(140 385)	0	(140 385)
Balance at 31 December 2021		**2 637**	**(27 909)**	**(288 973)**	**(6 243)**	**987**	**464 164**	**144 663**	**0**	**144 663**
Balance at 1 January 2020		**2 637**	**(27 909)**	**(43 010)**	**(5 531)**	**987**	**416 684**	**343 858**	**0**	**343 858**
Acquisition of own shares	11	0	0	(74 386)	0	0	0	(74 386)	0	(74 386)
Transactions with shareholders		0		(74 386)	0	0	0	(74 386)	0	(74 386)
Profit for the year		0	0	0	0	0	16 307	16 307	0	16 307
Currency translation differences		0	0	0	(731)	0	0	(731)	0	(731)
Total comprehensive income		**0**	**0**	**0**	**(731)**	**0**	**16 307**	**15 576**	**0**	**15 576**
Total changes in equity		0	0	(74 386)	(731)	0	16 307	(58 810)	0	(58 810)
Balance at 31 December 2020		**2 637**	**(27 909)**	**(117 396)**	**(6 262)**	**987**	**432 991**	**285 048**	**0**	**285 048**

(All amounts in PLN thousand unless otherwise stated)

Consolidated cash flow statement

	Note	12 months ended 31 December 2021	12 months ended 31 December 2020
Cash flows from operating activities			
Profit before income tax		**31 783**	**23 862**
Total operating activity adjustments		(29 103)	(40 783)
Basic cash generated from (used in) operations	24	2 680	(16 921)
Interest paid		(2 076)	(2 091)
Income tax paid		(5 730)	(5 648)
Net cash used in operating activities		**(5 126)**	**(24 660)**
Cash flows from investing activities			
Capital expenditure on investment property		(708)	(54)
Purchases of property, plant and equipment		(13)	0
Proceeds from sale of investment properties		76 311	93 574
Cash of joint venture transformed into subsidiary		143	0
Proceeds from withdrawal of contributions in joint ventures		15 069	57 318
Received dividends and profits in joint ventures		9 333	20 763
Interest received		0	441
Contributions to joint ventures		0	(36 912)
Net cash generated from investing activities		**100 135**	**135 130**
Cash flows from financing activities			
Acquisition of derivatives		(580)	0
Repayments of borrowings		(11 225)	(4 973)
Share redemption		(171 577)	(74 386)
Net cash used in financing activities		**(183 382)**	**(79 359)**
Total cash flow before exchange differences		(88 373)	31 111
Exchange differences		0	0
Net change in cash and cash equivalents		**(88 373)**	**31 111**
Cash and cash equivalents at beginning of the year		**170 146**	**139 035**
Cash and cash equivalents at end of the year		**81 773**	**170 146**

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

1 General information

1.1. Information about the parent entity

Name of the reporting entity : CPD SA Capital Group

Explanation of changes in the name of the reporting entity : CPD S.A. (the "Company", "CPD") was established on the basis of the Articles of Association on 23 February 2007 (as Celtic Development Corporation S.A., then on 22 February 2008 the Company changed its name to POEN S.A.). On 23 March 2007 District Court in Cracow, XI Business Department of the National Court Register entered the Company into the Register of Businesses with the KRS number 0000277147. The Company's shares are quoted on the Warsaw Stock Exchange. On 2 September 2010 the Extraordinary General Shareholder's Meeting adopted a resolution changing the Company’s name from Poen S.A. to Celtic Property Developments S.A. On 29 May 2014 Extraordinary Shareholders Meeting resolved on changing the name of the company from Celtic Property Developments S.A. to CPD S.A. The change was registered in National Court Register on 17 September 2014.

Headquarters : Warsaw

Legal form : The parent of the Group has a form of joint-stock company.

Country of registration : Poland

Registered office : Cybernetyki 7B, 02-677 Warsaw

Principal place of running the business : headquarters of the parent entity

Principal scope of activity: The core business of CPD Group comprises:

- sale and development of office and residential properties,
- land acquisition and construction residential and office buildings; purchase of existing properties with the potential to create additional value that can be achieved by changing the purpose of the property or by raising the standard and optimizing the usable area,
- leasing of office buildings and warehouses for its own account,
- commercial real estates portfolios management.

Name of the parent entity: CPD Spółka Akcyjna

Name of the highest level parent entity: CPD Spółka Akcyjna

Other information:

On 23 August 2010, an entry was made in the National Court Register to record a cross-border merger of the previous parent company of the Group, i.e. Celtic Property Developments S.A. (the Acquired Company) and Poen S.A. (the Acquiring Company) through transfer of the assets of the Acquired Company to the Acquiring Company in return for new shares of the Acquiring Company with a value of PLN 3,483,000. The merger process took place under the Merger Plan, whereby Celtic Property Developments Plc was to be acquired by Poen S.A., a full subsidiary of Celtic Property Developments Plc. As a result of the merger: (i) the previous shareholders of Celtic Property Developments Plc became 100% shareholders of Poen S.A., and (ii) Poen S.A. acquired, through general succession, treasury shares of PLN 500,000 from Celtic Property Developments Plc for the purpose of their redemption. The parity for the exchange of shares of Celtic Property Developments Plc for the shares of Poen S.A. was determined at such a level as not to cause changes in the ownership structure of Poen S.A.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

1.1. Information about the parent entity (cont.)

On redemption of the shares, the shareholders of Celtic Property Developments Plc became shareholders of Poen S.A. having the same stake in the share capital of Poen S.A. and in the total number of votes at the General Meeting of Poen S.A. as they held in Celtic Property Developments Plc before the merger date.

As a result on 23 August 2010 Celtic Property Developments Plc ceased to exist, and Poen S.A. became parent company of the Group.

The cross-border merger of the parent company with its subsidiary Buffy Holdings 1 Ltd. was registered in 2018. All assets and liabilities of BUFFY to CPD S.A. were transferred to CPD SA. Due to the fact that CPD S.A. was the sole shareholder of BUFFY, the merger did not require increasing the share capital of CPD SA.

As at the date of preparation of these consolidated financial statements, the Management Board and Supervising Bodies of the parent company consisted of:

Management Board:	
Colin Kingsnorth	President of the Management Board
Elżbieta Donata Wiczkowska	Board Member
Iwona Makarewicz	Board Member
John Purcell	Board Member
Supervisory Board:	
Andrew Pegge	Chairman of the Supervisory Board
Wiesław Oleś	Secretary of the Supervisory Board
Mirosław Gronicki	Member of the Supervisory Board
Krzysztof Laskowski	Member of the Supervisory Board

According to Company's information there are the following shareholders owning directly or through subsidiaries stakes of at least 5% of votes on the Shareholders Meeting (number of shares based on shareholders notifications based on art. 69 od Public Offering Law):

Company	Country	No. of shares	% owned capital	% of voting rights
Meduvo Holding Ltd	Netherlands	2 133 604	8,09%	23,80%
Furseka Trading and Investments Ltd	Cyprus	2 063 234	7,82%	23,01%
Shareholders with stakes below 5%		4 769 347	18,09%	53,19%
		8 966 185	34,00%	100%
Own shares for redemption		17 404 946	66,00%	0%
Total		26 371 131	100%	100%

CPD SA, based on earlier decision of General Shareholders' Meeting, has been acquiring own shares in tranches, between 2019 and 2021.

As a consequence the Company has 17.404.946 own shares at the balance sheet date. The shares represent 66,00% of CPD SA share capital. However based on the relevant regulations the Company is prevented from executing voting rights from own shares.

On 18 October 2021 shareholders resolved on redemption of all the acquired own shares and resulting share capital reduction down to PLN 896,6 thousand. The equity reduction has been registered by the court subsequent to year end.

The above shareholding structure was presented in relation to the total number of shares, amounting to 26 371 131 shares and covering series AA shares which constitute 100% of votes at the general meeting of the Company.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

1.2. Information about Capital Group

As at balance sheet date CPD Group comprised CPD S.A. as a parent entity, 19 subsidiaries and 2 entities under common control.

Additional information concerning consolidated subsidiaries is included in Note 2.2.

None of the individual entities of the Group is fixed for the duration. The financial statements of all subsidiaries have been prepared for the same reporting period as the financial statements of the parent company, using consistent accounting policies.

The financial year of CPD and its entities is the calendar year.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

These consolidated financial statements of CPD S.A. were prepared as at 31 December 2021 and for the period since 1 January 2021 till 31 December 2021, while comparative data are for the period since 1 January 2020 till 31 December 2020.

These consolidated financial statements of CPD S.A. have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. This consolidated financial statements have been prepared under the historical cost convention, with the exception of the valuation of investment property to the fair value.

The financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. At the date of preparation of the consolidated financial statements, there are no circumstances indicating a threat to the continuation of operations by the Group.

New and amended standards and interpretations which came into force in 2021:

Amendments to **IFRS 9, IAS 39, IFRS 7, IFRS 4** and **IFRS 16 Interest Rate Benchmark Reform.**

Published standards and interpretations of existing standards which are not effective yet and which were not early adopted by the Group

In these consolidated financial statements the Group did not decide on early adoption of the following published standards, interpretations or improvements before their effective date:

IFRS 17 Insurance Contracts, issued by the International Accounting Standards Board on 18 May 2017, is effective for annual periods beginning on or after 1 January 2021. The standard is to replace the current insurance regulations (IFRS 4).

Amendment to **IAS 1 Classification of Liabilities as Current or Non-current -** issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023.

Amendments to **IAS 16 Proceeds before Intended Use** - issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022.

Amendments to **IAS 37 Cost of Fulfilling a Contract** - issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022.

Amendments to **IAS 8 Definition of Accounting Estimates** - issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023.

Amendments to **IAS 1 Presentation of Financial Statements** - issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023.

Amendments to IAS 12 **Deferred Tax related to Assets and Liabilities arising from a Single Transaction -** issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.1 Basis of preparation (cont.)

Set of amendments **Annual Improvements 2018–2020 -** issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022.

The abovementioned standards and their amendments do not relate to the activities of the Group or relate only remotely . As a result their adoption will not affect the consolidated financial statements of the Group significantly.

2.2 Consolidation

Subsidiaries are all entities (including special purpose entities) for which the Group has rights to variable returns from its involvement and has the ability to affect those returns through its power. Typically power results from a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible into shares are considered when assessing whether the Group controls an entity.

Subsidiaries are fully consolidated since the date on which they were incorporated or control was transferred to the group. They are deconsolidated from the date on which control ceases. If necessary, adjustments are made to the financial statements of subsidiaries to adopt them to the Group policies.

If necessary the stand alone financial data is adjusted in order to comply with the Group accounting policies.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, the obligations arising from the determination of the remuneration element of the conditional agreement. Acquisition-related costs are recognized in the consolidated profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. If applicable, the Group recognizes minority interests of the acquiree at fair value or at the share of minority interests in the net assets of the acquired business.

The surplus of the amount transferred for the acquisition, the amount of all non-controlling shares in a entity being acquired and fair value as at acquisition date of participation in a capital of an entity being acquired, over the fair value of acquired identifiable net assets is recognised as goodwill. If the acquisition cost is lower than the fair value of the net assets of the acquired entity, the different is reflected directly in the consolidated profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the CPD Group.

Jointly controlled entities are consolidated using the property rights method.

These consolidated financial statements include the results and assets and liabilities of the following subsidiaries and joint ventures:

	Name	Country	Shareholder	31 December 2021	31 December 2020
1	Mandy Investments Sp. z o.o. w likwidacji	Poland	Lakia Enterprises Limited	100%	100%
2	Lakia Enterprises Limited	Cyprus	CPD S.A.	100%	100%
3	Lakia Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
4	Celtic Asset Management Sp. z o.o.	Poland	CPD S.A.	100%	100%
5	Robin Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.2 Consolidation (cont.)

	Name	Country	Shareholder	31 December 2021	31 December 2020
6	IMES Poland Sp. z o.o.	Poland	CPD S.A.	0%	100%
7	Hub Developments Ltd Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
8	Elara Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
9	Celtic Investments Limited	Cyprus	CPD S.A.	100%	100%
10	Gaston Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
11	Challange Eighteen Sp. z o.o.	Poland	CPD S.A.	100%	100%
12	Celtic Trade Park Kft	Hungary	Lakia Enterprises Limited	100%	100%
13	Ursus Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	49%
			Smart City Sp. z o.o.	0%	1%
			Antigo Investments Sp. z o.o.	99%	0%
			Gaston Investments Sp. z o.o.	1%	0%
14	2/124 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Antigo Investments Sp. z o.o.	99%	0%
			Gaston Investments Sp. z o.o.	1%	1%
15	3/93 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
16	Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	49%
			Antigo Investments Sp. z o.o.	49%	0%
			Smart City Sp. z o.o.	1%	1%
17	5/92 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
18	6/150 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
19	7/120 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
20	12/132 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
21	13/155 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
22	16/88 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
23	18 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Antigo Investments Sp. z o.o.	99%	0%
			Gaston Investments Sp. z o.o.	1%	1%
24	19/97 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	0%	99%
			Gaston Investments Sp. z o.o.	0%	1%
25	20/140 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
26	Belise Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
27	Antigo Investments Sp. z o.o.	Poland	CPD S.A.	100%	100%
28	Smart City Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
29	Ursus Development Sp. z o.o.	Poland	CPD S.A.	100%	100%
30	Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	CPD S.A.	49%	49%
			Smart City Sp. z o.o.	1%	1%

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.3 Changes in the Group structure

On 31 March 2021 the part of the investment agreement related to Smart City project was dissolved, as a consequence of completion of the project. As a result Smart City Spółka z ograniczoną odpowiedzialnością Sp. z o.o. returned to be 100% subsidiary.

On 29 April 2021CPD acquired 100% of Antigo Investments spółka z ograniczoną odpowiedzialnością shares from Lakia Enterprises Ltd.

On 29 April 2021 Smart City Spółka z ograniczoną odpowiedzialnością Sp.k. was renamed into Ursus Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp. k.

Moreover the process of liquidation of the company's structure for Ursus project has been started. During 2021 KRS cancelled 7/120 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k., 19/97 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k., 3/93 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. and 5/92 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k., 12/132 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. and 13/155 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. from the entrepreneurs register. Moreover subsequent to the balance sheet date 20/140 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k. has been cancelled as well.

As continued internal restructuring Antigo investment Sp. z o.o. purchased limited partner's rights in 2/124 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k. and 18 Gaston Investments spółka z ograniczoną odpowiedzialnością sp. k.

On 1 October the Group has disposed IMES Poland Sp. z o.o. since the moment of disposal of its property the subsidiary did not run any operating activities.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Polish Zloty ("PLN"), which is the parent's Company functional currency and the Group's presentation currency.

(b) CPD Group Companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); the profit and loss transaction are valued using the average exchange rate for the financial period, except for profit from sales of investment properties which are translated into PLN using the exchange rate from the date of transaction;

(iii) all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is sold, such exchange differences are recognised in the profit or loss as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets of the foreign entity and translated at the closing rate. Foreign exchange differences are recognized in translation reserve.

2.5 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property comprises freehold land, freehold buildings and land held under leasing (perpetual usufruct).

Additional notes and explanations to the consolidated financial statements

2.5 Investment properties (cont.)

Land, for which future plans are uncertain, are classified as investment property. The future plans may be dependent upon planning constraints and thus remain uncertain until a project design is definitive and the relevant permits are obtained. Transfers to, or from, investment property are made when, and only when, there is a confirmed change in its purpose. For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss. For a transfer from investment property carried at fair value to inventories, the property's deemed cost for subsequent accounting in accordance with IAS 2 shall be its fair value at the date of change in use.

Land held under leasing is classified and accounted for as investment property when the classification definition of investment property is met.

Investment property is measured initially at its cost, including related transaction costs. The cost is increased by external financing directly attributable to development of investment properties calculated for the period when active development works are materially in progress.

After initial recognition, investment properly is carried at fair value. Fair value is determined based on model based valuation calculated using cash flow projections based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are prepared annually by independent professional appraisers. The investment property portfolio is appraised in accordance with RICS Valuation – Professional Standards incorporating the International Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS). Valuation fees are not related to the property value and valuation results.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including leasing liabilities in respect of land classified as investment property; others, including contingents rent payments, are not recognised in the financial statements. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss ("Repair and maintenance costs") during the financial period in which they are incurred. Changes in fair values are recorded in the profit or loss within "Net result from fair value adjustment on investment property".

Gains and losses on disposals are recognised within "gains/(losses) on disposal of investment property" in the profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment are carried at historical cost less depreciation. The historical cost includes the expenditure directly associated with acquisition of the assets.

Any subsequent expenditure is reflected in the carrying amount of the asset or is recognised as a separate asset (where applicable) only when it is likely that the asset will generate economic benefits for the Group, and the cost of such an asset can be reliably estimated. Any other expenditure on improvement and maintenance is carried in profit or loss in the accounting period in which it was incurred.

Depreciation of tangible assets (or components thereof, if any) is calculated using the straight-line method to allocate their initial value, less residual value, over the asset's estimated useful lives. The residual value and the useful life of the tangible assets is reviewed (and changed if necessary) at each balance sheet date. Tangible assets are depreciated over their estimated useful lives (three to five years).

When the carrying amount of the tangible asset is greater than its estimated recoverable amount, the asset's carrying amount is immediately written down to the recoverable amount.

2.7 Leases

For each contract concluded on or after 1 January 2019 the Group decides whether the contract is or includes a lease. Leasing is defined as a contract or part of a contract that delegates the right to control the use of an identified asset (underlying asset) for a given period in exchange for consideration. To this end, three basic aspects are analysed:

- whether the contract relates to an identified asset that is either clearly specified in the contract or implicitly when the asset is made available to the Group,

- whether the Group has the right to obtain substantially all economic benefits from the use of the asset over the entire useful life within the scope of the contract,

- whether the Group has the right to control the use of the identified asset over the entire useful life.

At the commencement date, the Group recognizes an asset under the right to use and a liability under the lease. The right to use is initially measured at the purchase price consisting of the initial value of the leasing liability, initial direct costs, an estimate of the dismantling costs and the leasing fees paid on or before the start date, less leasing incentives.

As at the commencement date, the Group measures the lease liability at the present value of the remaining lease payments using the lease interest rate, if it can be easily determined. Otherwise, the lessee's marginal interest rate applies. Lease payments included in the value of the lease liability consist of fixed lease payments, variable lease payments dependent on the index or rate, amounts expected as a guaranteed residual value and payments for call options if they are reasonably certain.

In subsequent periods, the lease liability is reduced by repayments made and increased by accrued interest. The valuation of the lease liability is updated to reflect changes in the contract and the reassessment of the lease term, exercise of the call option, guaranteed residual value or lease payments dependent on the index or rate. In principle, the revaluation of the liability is recognized as an adjustment to the asset due to the right of use.

The Group applies standardized practical solutions for short-term leases and leases in which the underlying asset is of low value. In relation to such contracts, instead of recognizing the assets due to the right to use and liabilities due to the leasing, the leasing fees are recognized in the result using the straight-line method during the leasing period.

The Group presents usage rights in the same items of the statement of financial position as the base assets, i.e. investment properties, inventory or assets held for sale respectively.

The lands perpetual usufruct rights are treated as leasing according to IFRS 16. The leasing period is assessed based on general principles, but possible disposal plan is not treated as an end of a lease contract. At the first application of IFRS 16 the Group decided to apply practical simplification and did not reassessed perpetual usufruct rights against the leasing criteria. As a result the accounting treatment of the perpetual usufruct rights acquired before 2019 remained unchanged, as previously applied Group policies were consistent with requirements of IFRS16.

2.8 Intangible assets, excluding goodwill

Intangible assets consist of computer software licences. The expenditure on acquired licences is capitalised with regard to the cost of acquisition of the software and the cost of ensuring operability of the software. Software licences are amortised over their estimated useful life from 3 to 5 years on a straight-line basis.

2.9 Goodwill

The rules for evaluating the goodwill at the moment of acquisition of subsidiary are presented in Note 2.2.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Additional notes and explanations to the consolidated financial statements

2.9 Goodwill (cont.)

For the sake of impairment test, goodwill is allocated to the cash-generating units. The allocation relates to the cash-generating units (or group of such units) which are expected to derive benefits from the merger that gave rise to the goodwill.

Goodwill arising from the acquisition of a foreign entity and any adjustment to the carrying amounts of assets and liabilities to fair value, arising from the acquisition of a foreign entity, are treated as assets and liabilities of the foreign entity and translated at closing rate. Foreign exchange differences are recognized in other comprehensive income.

2.10 Impairment of non-financial assets

Assets with undefined useful life, such as goodwill, are not amortised, but are each year tested for impairment. The amortised assets are tested for impairment each time any indications of impairment emerge. The impairment is recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of: fair value of assets decreased by their cost of sale or value-in-use. For the purpose of impairment test, assets are grouped at the lowest level at which separate identifiable cash flows occur (cash generating units). Non-financial assets other than goodwill, for which impairment was identified, are at each balance sheet date tested for indications that would permit reversal of the impairment charge.

2.11 Financial assets

The Group's financial assets are categorised based on financial assets management business model and characteristics of financial assets cash flows resulting from the concluded contracts.

The Group's financial assets are allocated to valued in fair value through profit and loss unless meeting classification criteria to be categorised as valued at amortised cost or in fair value through other comprehensive income.

Except of trade receivables recognised at transaction price, the Groups financial assets are initially recognised at fair value.

Valuation of the financial assets valued at fair value is updated at subsequent balance sheet dates and results are presented in financial cots or financial income or other comprehensive income.

Financial assets classified as valued at amortized cost and measured at fair value through other comprehensive income due to the business model and the nature of the flows are assessed as at each balance sheet date in order to recognise any expected credit losses, regardless of whether there were indications of impairment. The method of making this assessment and estimating the write-offs for expected credit losses differs for individual classes of financial assets. The only financial assets in the group are receivables that have been grouped by overdue period. The estimate of the write-down is based primarily on historically-forming overdues and the relationship between payment arrears and actual bad debt losses, taking into account available information about the future.

Subsequent recoveries of amounts previously written off are credited in the profit and loss.

Financial assets are derecognised when the rights to the related cash flows have expired or have been transferred, and CPD Group has transferred essentially the whole risks and benefits from their ownership.

2.12 Inventories

Inventories consist of properties awaiting or in the course of development for sale and residential house building projects and sites held for sale during normal course of business.

Inventory items are stated at the lower of cost or net realisable value on a first-in, first-out basis (FIFO) or market. The net realisable value is the estimated sales price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Additional notes and explanations to the consolidated financial statements

2.12 Inventories (cont.)

Costs relating to the construction of a project are included in inventories as follows:

• costs incurred relating to projects or a phase of a project which are not available for sale (work in progress),

• costs incurred relating to units unsold associated with a project or a phase of a project that is available for sale (finished goods).

Project construction costs include:

a) land or leasehold rights for land,

b) construction costs paid to subcontractors for the construction of the residential units,

c) planning and design costs,

d) borrowing costs to the extent they are directly attributable to the development of the project,

e) professional fees attributable to the development of the project,

f) construction overheads and other directly related costs.

2.13 Assets held for sale

Investment property held for sale is classified as non-current assets held for sale under IFRS 5. Non-current assets are classified as assets held for sale if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. These assets are available for immediate sale in its present condition, and the sale is high probable within next 12 months.

The sale is determined to be highly probable if:

- the management committed to a plan to sell the investment property
- active plan to locate a buyer and complete the plan was initiated
- investment property was actively marketed for sale at a price that is reasonable in relation to its current fair value
- the sale is expected to qualify for recognition as a completed sale within one year from the date of classification
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

If the CPD Group has classified an asset (or disposal group) as held for sale, but the criteria set above are no longer met, the Group ceases to classify the asset (or disposal group) as asset held for sale.

2.14 Equity

Share capital consists of ordinary shares presented at par value.

Own shares purchased with an intention of redemption are presented at acquisition cost as reduction of equity.

Resulting from issuance of bonds convertible into shares, embedded derivative has been recognised representing option of conversion at fixed ratio. Since all the convertible bonds were issued to the shareholders, day-one-loss resulting from a difference between derivatives fair value and the purchase price is reduces equity presented as "embedded element at inception date".

2.15 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. In case of current liabilities amortised cost value equals nominal value.

2.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Additional notes and explanations to the consolidated financial statements

2.17 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

2.18 Income tax

Current tax is calculated based on the tax result (the tax base - in accordance with local tax laws) of the reporting period. Profit (loss) for tax purposes differs from the net profit (loss) due to exclusion of non-taxable income and temporary costs constituting temporary deductible costs and expenses and income items that will not be subject to taxation. Tax is calculated based on the tax rates applicable in a given financial year.

The tax is recognised in the profit and loss account excluding the period in which it relates directly to the items recognised in other comprehensive income or in equity. In this case the tax is also recognised in other comprehensive income or in equity, as appropriate.

2.19 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and carried forward tax losses. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liabilities settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The Group offsets deferred tax assets and deferred tax liabilities against each other if and only if the enterprise:

(a) has a legally enforceable right to set off the deferred tax assets against deferred tax liabilities; and

(b) deferred tax assets and deferred tax liabilities relate to income tax imposed by the same tax authority:

(i) on the same taxpayer; or

(ii) on various taxpayers who intend to settle current tax liabilities and receivables in net amount, or at the same time realize receivables and settle liabilities, in each future period in which significant amount of deferred tax liabilities is expected to be dissolved or significant amounts Deferred income tax assets.

2.20 Employee benefits

Polish Companies of the CPD Group make contributions to the Polish Governmental retirement benefit scheme at the applicable rate during the period based on gross salary payments (the "State Plan"). The CPD Group is only obliged to pay the contributions as they fall due based upon a percentage of salary and if the Group ceases to employ members of the State Plan, it will have no obligation to pay any additional benefits. The State Plan is a defined contribution plan. The expense for the contributions is charged to the consolidated profit or loss in the same period as the related salary expense.

According to the adopted principle, no provisions for retirement benefits are created that would correspond to a monthly salary in accordance with the Labour Code. Potential provisions would not have any material impact on the financial statements. If they do occur, they will be recognised on a cash basis.

Additional notes and explanations to the consolidated financial statements

2.21 Provisions

Provisions are recognised only where CPD has a legal or customary obligation arising from past events, and it is likely that an outflow of resources will be required to meet such obligation, and its value can be reliably estimated.

If there is a number of similar obligations, the likelihood of outflow of resources to meet such obligations shall be determined in relation to the particular category of obligations as a whole. A provision is recognised even if there is low likelihood of outflow of resources in relation to a single item of a particular category of obligations. Provisions are recognised at the current value of the expenditure which is expected to be incurred to fulfil the obligation.

2.22 Revenue recognition

Revenue includes proceeds from the sale of inventories, rental income, service charges, property management charges and income from real estate advisory services.

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

(a) Rental income

Rental income from operating leases is recognised in income on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income. Lease incentives are recognised in profit or loss over the lease term on a straight line basis as a reduction in rental income.

(b) Service and management charges

Service and management charges are recognised in the accounting period in which the services are rendered.

(c) Revenue from the sale of residential units and office buildings

Revenues from the sale of residential units and office buildings are recognised upon transfer to the buyer of the significant risks and rewards (transfer of ownership after signing a notarial deed) of the residential unit or office building, providing that a valid building occupancy permit has been obtained by CPD Group.

Advances received related to pre-sales of residential units, which represent deferred income, are deferred to the extent that they do not meet the criteria to be recognised as revenue.

(d) Interest Income

Interest income is recognised using the effective interest rate method.

2.23 Expenses

Cost of sales is recognised in the amount of total capitalised costs of inventories sold.

Construction costs connected with products that have not been sold are capitalised in inventory as work in progress or finished goods, depending on how advanced their construction is. If it is expected that CPD Group may incur a loss on the inventories, the related impairment is immediately recognised as an expense. Inventory relating to units sold is expensed as cost of sales in the same period as the related sale.

Cost of sales includes mainly the cost of goods sold and other direct property operating expenses.

Property-related administrative costs include day-to-day property administration, utilities, property taxes, maintenance costs, insurance premiums, valuation fees, etc. They are expensed as incurred.

Other direct property operating expenses, which do not include general and administrative expenses, are expensed as incurred.

Income from services recharged to tenants and relating to the cost of provision of such services are shown separately as CPD Group does not act as an agent.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements of CPD Group at the end of the period in which the dividends are approved by the General Meeting.

2.25 Interest expense

Interest expense for borrowings are recognised within "Finance costs" in the consolidated profit or loss using the effective interest rate method, except for borrowing cost which is capitalised in the cost of the qualifying asset.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense during the period. The effective interest rate is the rate that exactly determines the present value of the discounted estimated future cash flows through the expected life of the financial instrument or a shorter period, if necessary, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (e.g. prepayment options) but does not include future losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

3 Financial risk management

3.1 Financial risk factors

The CPD Group is exposed to the following financial risks in connection with its operations: market risk (including: including: currency risk, risk of changes in the fair values or cash flows due to changes in interest rates), credit risk and liquidity risk. Financial risks relate to the following financial instruments: loans and borrowings, trade receivables, cash and cash equivalents, trade payables and other liabilities. The accounting principles concerning the financial instruments are described in Note 2. CPD Group's overall programme of risk management focuses on unpredictability of financial markets and seeks to minimize the potential adverse impact of unforeseen events on the Group's performance.

(a) Currency risk

The Management Board of the CPD Group monitors the fluctuations in exchange rates on an on-going basis and responds adequately to the situation. The currency risk arising in connection with foreign currency debt servicing is minimized by generating income from rental and negotiating proceeds from the sale of properties held from sale in the currency in which the investment loan was received. At present the CPD Group is not engaged in any hedging transactions; however, this could change should the Management Board decide that the situation so requires.

	Year ended at 31 December 2021	**Year ended at 2020**
PLN valuation of debt denominated in foreign currencies	89 266	98 974
Assumed change in PLN/EUR exchange rate	+/-1%	+/-1%
FX gains/losses due to change in FX rate	893	990
Tax shield	170	188
Effect on net profit/(loss)	723	802
Effect on total equity	723	802

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

3.1 Financial risk factors (cont.)

(b) Price risk

The CPD Group is exposed to price risk in connection with the value of properties and to the risk of rental income, which are not financial risks.

(c) Interest rate risk

Interest rate risk is the risk the CPD Group is exposed to in connection with changes in market interest rates. In the case of CPD Group, the risk of changes in interest rates is related to long-term bank loans (Note 13). Variable interest rate loans expose CPD Group to the risk of fluctuations in future cash flows. The Management Board keeps track of fluctuations in interest rates and responds adequately. The variable interest rate applicable to 80% of the bank credit received by subsidiary Belise has been fixed with IRS contract. As at the year end CPD Group does not use other interest rate hedges.

	Year ended at 31 December 2021	Year ended at 2020
Variable interest rate loans	86 797	96 733
Interest rate derivatives	(595)	208
Cost of instruments dependent on variable interest rates	2 469	2 241
Assumed change in interest rates	+/-1pp	+/-1pp
Effect of the change on the cost	868	967
Tax shield	165	184
Effect on net profit/(loss)	703	784
Effect on total equity	703	784

(d) Credit risk

Credit risk arises on cash and cash equivalents and receivables. It is mitigated by depositing cash with highly reliable banks (mainly ING Bank Śląski, mBank, Santander, Millenium).

With respect to rental receivables, the Group has collateral in place in the form of cash deposits or bank guarantees and, in the case of receivables in respect of the sale of buildings, in the form of a deposit with an independent agent. Credit risk relating to unsecured receivables is assessed based on: evaluation of the debtors, financial position, past cooperation experience and other factors.

Not all receivables of the Group are secured with deposits or guarantees. The Group revises the value of receivables taking into account the likelihood of their payment and recognises adequate impairment charges.

(e) Liquidity risk

Liquidity risk arises when the due dates of assets and liabilities do not match. This can raise profitability, but also increases the risk of loss. CPD Group applies procedures designed to reduce such losses by maintaining the proper level of cash and other liquid assets and the proper access to credit facilities. The level of liquidity of the CPD Group is monitored by the Management Board on the day-to-day basis.

Except of liabilities related to assets classified as held for sale, as at 31 December 2020 short-term liabilities amounted to PLN 153.569 thousand (including financial payables of PLN 101.847 thousand) and are lower than current assets (excluding assets held for sale) which amount to 193.782 thousand. A detailed description of the borrowings presented in the consolidated financial statements is presented in note 13 "Borrowings, including finance leases".

Considering increase of general market uncertainty resulting from the pandemics, based on the risk analysis performed the Board has decided to rise the level of the cash reserves.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

3.1 Financial risk factors (cont.)

The below table includes analysis of the Group's financial liabilities by maturities corresponding to the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table consists of the contractual undiscounted cash flows:

As at 31.12.2021	Within 1 year	Over 1 up to 5 years	Over 5 years
Loans and leases	37 732	53 646	26 847
Trade payables and other payables	6 458	2 629	0
	44 190	56 275	26 847
As at 31.12.2020			
Loans and leases	102 259	1 647	26 577
Trade payables and other payables	29 479	2 820	0
	131 738	4 467	26 577

(f) Impact of the COVID - 19 epidemic on the values of selected assets of the CPD Capital Group

Due to the global pandemic, the Group management assumes that its effects may affect the activities of property development companies in the following areas:
- the level and dynamics of sales of flats, in particular in the event of a decrease in demand for flats and a potential tightening of mortgage lending criteria or other disruptions on the housing or banking market,
- decrease in revenues from office space rents,
- demand for office rent and investment demand for office buildings,
- timeliness of implementation of projects by companies from the CPD group and its related entities, i.e., resulting from the pace of processing administrative decisions leading to obtaining building permits and admission of ready facilities to use,
- process of extracting and transferring ownership of premises to buyers and selling real estate,
- availability and terms of new financing if banks and other lenders are severely affected by the protracted economic downturn,
- level and deadline for meeting contractors' financial obligations,
- obtaining administrative decisions,
- fluctuations in the value of assets as a result of changes in the exchange rate of PLN in relation to foreign currencies, especially EUR.

Real estate development is characterized by a long production cycle, therefore the effects of negative events crystallise in the long term. The revenues from the sale of apartments, commercial premises and parking spaces achieved by the Group's joint ventures in 2021 were generated by transactions from about a year ago with the payment terms split into instalments. Therefore, the events that took place in 2021 will be visible in the Groups profits and losses in subsequent years. However, it should be noted that the construction industry, including the development of apartments in multi-family buildings, did not record any declines in sales or a slowdown in the growth dynamics observed in previous years.

CPD S.A. and its subsidiaries have taken intensive measures to adapt their activities to the existing conditions, while adhering to the recommendations issued by sanitary services and WHO guidelines.

In the Management Board’s opinion the COVID-19 pandemic did not have a significant impact on the Group's results for the period covered by these consolidated financial statements.

It should be stressed the pace of construction has not slowed down in CPD Group during 2021. The commenced next stage of Ursa Sky is being implemented in accordance with the assumed schedule. Taking into account the advancement of construction works and the level of sales of this project, the Management expects to complete the construction projects in accordance with the schedule and as at the date of publication of the report, has not noticed resignations from the already signed development contracts. The Management monitors and analyses the situation of the CPD capital group on an ongoing basis in connection with the spread of the SARS-CoV-2 virus and takes a number of measures to minimize the impact of the negative effects of the pandemic on the activities of the CPD group.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

3.2 Financing structure management

The purpose of the CPD Group capital management is to preserve CPD Group's ability to continue business so as to be able to generate return for the shareholders and other stakeholders, the cost of the capital being optimized at the same time.

CPD Group may change the amount of declared dividends payable to shareholders, repay the equity to shareholders, issue new shares or sell assets in order to reduce debt in order to maintain or modify the structure of the capital.

The financing structure ratio reflecting the structure of the capital is calculated as net debt divided by total capital. Net debt is calculated as the total of credits and loans including current and non-current credits and loans disclosed in the consolidated balance sheet, trade payables and other payables divided by cash and cash equivalents. Total capital is calculated as equity disclosed in the consolidated balance sheet along with net debt.

The long-term CPD Group strategy is to maintain the financing structure ratio at a level below 40%.

	31 December 2021	**31 December 2020**
Total loans, including leasing (notes 13 and 28)	97 104	113 386
Trade payables and other payables (Note 12)	19 323	54 560
Less: cash and cash equivalents (Note 9)	(81 773)	(170 146)
Net debt	**34 654**	**(2 200)**
Equity	144 663	285 048
Total capital	**179 317**	**282 848**
Financing structure ratio	**19,3%**	**-0,8%**

4 Major accounting estimates and judgments

Major estimates and judgments are based on past experience and other factors including anticipation of future events that seem reasonable in a given case. Accounting estimates and judgments are assessed on a regular basis.

The Management Board makes estimates and adopts assumptions concerning the future. Accounting estimates so obtained will seldom match actual results by their very nature. Estimates and assumptions involving significant risk of a major adjustment of the carrying value of assets and liabilities during the following financial year being required are discussed below.

4.1 *Estimating derivatives fair value*

In February 2016 Belise Investments Sp. z o.o., the Group subsidiary, concluded interest rate swap (IRS) contract. The value of the contract corresponds to 80% of the Santander Bank borrowings.

During 2021 IRS contract expired, instead CAP contract has been acquired.

Both instruments are presented at fair value based on valuation by Santander Bank. The results of changes in the valuation are reflected in the consolidated statement of comprehensive income as finance cost or finance income.

The fair value of the contract hedging the interest rate is determined as a difference in discounted interest cash flows based on fixed and floating interest rates. Market interest rates are the entry data for the valuation. This represent level 2 of the fair value hierarchy.

As at 31 December 2021 the CAP instrument is valued at PLN 595 thousand.

4.2 *Accounting treatment of joint ventures*

On 10 September 2014, an investment agreement was signed by CPD S.A. and its subsidiaries (Smart City Spółka z ograniczoną odpowiedzialnością Sp.k., Lakia Enterprises Ltd), of the one part, and entities not associated with the Group, i.e. Unidevelopment S.A. and Unibep S.A., of the other part. The agreement stipulates a joint venture consisting in the construction of a complex of multiple residential units with services and related infrastructure at a property belonging to Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.

Additional notes and explanations to the consolidated financial statements

4.2 *Accounting treatment of joint ventures (cont.)*

On 31 March 2021 the part of the investment agreement related to Smart City project was dissolved, as a consequence of completion of the project. As a result Smart City Spółka z ograniczoną odpowiedzialnością Sp. z o.o. returned to be 100% subsidiary. No goodwill arose on this transaction as acquisition price consisting on cash compensation and joint venture valuation equalled the sum of net assets' fair values.

On 22 February 2017 next investment agreement was signed by CPD S.A. and its subsidiaries (Challange Eighteen Sp. z o.o., 4/113 Gaston Investments z ograniczoną odpowiedzialnością Sp.k., Lakia Enterprises Ltd), of the one part, and entities not associated with the Group, i.e. Unidevelopment S.A. and Unibep S.A., of the other part. The agreement stipulates a joint venture created for construction of a complex of multiple residential units with services and related infrastructure at a property belonging to 4/113 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.

Subsequently the scope of the investment agreement has been extended on the whole property of Ursa Park Smart City spółka z ograniczoną odpowiedzialnością Sp.k. on 26 October 2018. The investment agreement assumes construction of three joint ventures: Ursa Park, Ursa Home and Ursa Sky, each consisting of two stages.

The first one - Ursa Park - has been completed in 2019 and comprised of 385 flats. Ursa Home consists of 341 flats (153 in the first stage and 188 flats in the second one). As at the balance sheet date all flats in this project are sold.

Based on annex dated 22 September 2020 Unidevelopment joined Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp. k., who bought land and cumulated project outlays related to Ursa Sky from Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp. k. Since that moment the company is accounted for as joint venture. Ursa Sky is to consist of 183 and 201 flats respectively in the first and second stage. Sales contracts were concluded for all the flats in the first stage and 115 flats in the later one.

Following requirements of IFRS 11, the joint ventures are accounted for based on property rights to the joint ventures' net assets. The Group's property rights to the net assets of the joint ventures calculations are based on the binding investment agreements.

Further details of the valuation of the joint ventures were presented in Note 10.

4.3 *Determination of fair value of investment properties*

The fair value of investment class real properties recognized in the balance sheet is calculated based on pricing established annually by third party experts base on Royal Institution of Chartered Surveyors' ("RICS") Valuation – Global Standards 2020 Incorporating the IVSC International Valuation Standards (the "RICS Red Book") . Valuation fees are not related to the value of the real properties or the valuation results. Bearing in mind the market environment as at the balance sheet date, the Management Board reviewed and approved experts' assumptions underlying the valuation approaches applied.

<u>CPD Group distinguishes the following classes of assets included in its real property portfolio:</u>

(i) non-developed land

(ii) investment properties generating significant rent income (office buildings in Warsaw);

(iii) property with an office building in Warsaw under consideration to convert into residential property.

<u>The Group valued individual investment properties using the following methods:</u>

The Group has real estate valued annually at fair value as at the balance sheet date. External valuations determine fair value adjustments.

Fair value changes of investment properties are recognized in the profit and loss under 'Net result from fair value adjustments on investment property' header.

Non-developed land was valued using the comparative method (comparison in pairs). The comparative method determines the value of a real estate assuming that such value is equal to prices obtained for similar properties traded in the market. The value of real properties is adjusted according to their differentiating features and stated taking into account volatility of prices in time. The comparative method is used, if prices of real properties similar to the property valued are known. The price per square meter is the variable affecting the valuation result the most.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

4.3 ***Determination of fair value of investment properties (cont.)***

The income approach (investment method) was applied to properties generating income. The income approach defines the value of a real property based on the assumption that the buyer will pay the price depending on the anticipated income to be earned on the same real property provided that such price will not exceed that of another property featuring the same profitability and risk that it could buy.

Assuming rental or lease market rates can be defined market value of the real property generating rent income is determined based on direct capitalization, as the quotient of a stable yearly income flow obtainable from the real property valued and the capitalization rate.

Net future operating income were estimated separately for each investment class property based on rental agreements existing as at the balance sheet date, contracted income and the expected cost of operation of the properties. Useful areas underlying the calculations are based on construction documents in force. As most rentals concluded by the Group are expressed in EUR, the investment class properties were valued in EUR and values were then translated into PLN using the NBP average rate as at the balance sheet date.

Capitalisation rates were estimated by third party experts separately for each major investment class property taking into account situation and type of the property. The capitalization rates are determined at least annually by third party property experts and the net operating income is based on rentals in force.

The property where conversion for residential purposes is considered was valued based on income approach and residual method.

The residual method determines the property value by deducting costs to completion and expected developer's profit from estimated market value of the completed investment. The market value of the completed investment as well as construction costs and developers profit are estimated by the surveyor based on average market values for similar properties.

The land designated for public purposes has been valued at nil.

The table below includes information about methods used for and assumptions underlying the valuations of the investment class properties at fair value along with information about major unnoticeable entry data - 31 December 2021:

Investment property	Valuation method / fair value valuation level	Capitalization rate/ construction cost per sqm	Anticipated rent rates per sqm/ sales price per sqm	Developer's profit
Office buildings generating income	income method / level 3	8% - 10,25%	9,0 - 11,5	n/a
Office building with considered change in destination	residual method / level 3	5 500	13 500	18%

The table below includes information about methods used for and assumptions underlying the valuations of the investment class properties at fair value along with information about major unnoticeable entry data - 31 December 2020:

Investment property	Valuation method / fair value valuation level	Capitalization rate/ construction cost per sqm	Anticipated rent rates per sqm/ sales price per sqm	Discount rate
Office building generating income	income method / level 3	8% - 10,25%	9,0 - 11,0	n/a
Office building with considered change in destination	residual method / level 3	4 500	11 500	15%

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

4.3 *Determination of fair value of investment properties (cont.) (cont.)*

Due to the fact that different methods are used to value investment properties, judgemental variables affect the fair values received to a different extent. The table below presents an analysis of the sensitivity of changes in the fair value of investment properties to the changes in the key estimated variables, assuming a specific growth of each of them. The analysis is performed independently for each variable based on the assumption that other estimates remain unchanged.

Valuation method	Fair value	Judgemental variable	Assumed changed in judgemental variable	Impact on valuation
investment method	131 543	capitalisation rate	+/- 0,25 pp	-4 185 / 4 369
		rent rate	+/- 5%	5 105 / -5 197
residual method	27 900	developer profit	+/-2,5 pp	-1 630 / 1 620
		construction cost per 1 m2	+/-1,8%	-760 / 740
		sales price per 1 m2	+/- 0,7%	500 / -500
other methods	2 109	insensitive for judgemental variables	n/a	n/a
	161 552			

4.4 *Income tax*

CPD Group is an income tax payer in multiple countries. Determination of global amount of income tax liabilities involves a significant amount of judgment. There are many transactions and calculations where the amount of tax is uncertain. CPD Group recognizes expected doubtful tax liabilities based on an estimation whether or not additional tax will be required. If the final tax settlements differ from the amounts initially recognized, the differences affect current and deferred income tax assets and liabilities in the period where the amount of tax is finally determined.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Due to changes in the income tax act over the years, there is a risk of a different interpretation of the law by the tax authorities as regards the fixing of the costs of income related to the sale of investment property Risk assessment in large part depends on the legal form of the transaction, i.e.. whether the transaction is a sale of shares in subsidiaries or sale of assets (investment property).

Moreover, with reference to General Anti-Avoidance Clause (GAAR), aimed at prevention from creating and using artificial legal structures in order to avoid tax in Poland, the Management has analysed the whole tax position of the Group entities, intended to identify and access transactions and operations that could potentially be subject to GAAR and judge the impact on those interim condensed consolidated financial statements. In the Management's opinion the related risk has been properly reflected in these interim condensed consolidated financial statements, however interpretation of tax regulations bears inherent uncertainty, which may impact future recoverability of deferred tax assets or tax payables related to past periods.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

5 Investment properties

	12 months ended 31 December 2021	12 months ended 31 December 2020
At the beginning of the period	**165 618**	**100 214**
Capital expenditure	708	20
Change in the balance of capitalized financial liability concerning the property disposed	(75)	0
Change in the balance of capitalized financial liability concerning the properties transferred to assets held for sale	(2 244)	0
Change in the balance of capitalized financial liability concerning the properties transferred from assets held for sale	0	1 832
Change in the balance of capitalized financial liability	(3)	85
Change in the balance of capitalized financial liability concerning the properties transferred from joint ventures	2 464	0
Transfer to assets held for sale	(2 500)	0
Transfer from assets held for sale	0	47 546
Result from fair value adjustment on investment property	3 699	15 921
	167 667	**165 618**

Investment properties which belong to the CPD Group were valued by independent international professional appraisers as at 31 December 2021 and as at 31 December 2020 in accordance with Royal Institution of Chartered Surveyors' ("RICS") Valuation – Global Standards 2020 Incorporating the International Valuation Standards.

As at 31 December 2021 the total fair value of real estate owned by the Group and presented in the consolidated financial statements as investment properties is comparable to prior year. The increase resulted mainly from transfers of the properties from joint venture and fair value adjustments has been offset by transfer to assets held for sale. In 2021 the Group recognized a gain from fair value adjustments of investment properties of PLN 3.7 million.

Further information on the valuation as at the balance sheet date is presented in Note 4.

As at 31 December 2021 all investment properties of the CPD Group were registered in the land and mortgage register.

Due to the fact that the value of the properties (according to external valuation) is reduced by the fees for perpetual usufruct, the "fair book value" of the properties has been increased by the amount of the financial liabilities relating to such use. Such recognition results in the balance sheet value of the investment property being increased by the leasing liability.

	31 December 2021	31 December 2020
Investment properties by external valuation	162 260	160 351
Liabilities in respect of perpetual usufruct	5 407	5 267
Investment property presented in the statement of financial position	**167 667**	**165 618**

Direct operating expenses relating to investment properties:

	12 months ended 31 December 2021	12 months ended 31 December 2020
- generating income from rent	5 351	5 127
- other	110	200
	5 461	**5 327**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

6 Fair value of collaterals

	31 December 2021	31 December 2020
Office buildings	159 441	144 345

Properties: Aquarius, Solar and IRIS are mortgaged to collateralise bank loans as described further in note 13.

7 Trade receivables and other receivables

	31 December 2021	31 December 2020
Trade receivables	1 160	102
Prepayments and accruals	602	1 040
Tax receivables	1 271	18 586
Receivables from related entities	231	307
Short-term trade receivables and other receivables	**3 264**	**20 035**
Long-term receivables	494	263
Total trade receivables and other receivables	**3 758**	**20 298**

The estimated fair value of trade receivables and other receivables is a discounted amount of expected future inflows which the CPD Group will receive, and it approximates the carrying amount of such inflows. Most rent receivables are secured. The CPD Group requires security from its tenants in the form of an equivalent of a one to three months' rent. Receivables in respect of rent are mainly secured with bank deposits or bank guarantees.

The most significant receivable of prior year receivables related to VAT refunds, which were received during 2021.

The CPD Group recognized an income of PLN 859 thousand resulting from movement in impairments and write-offs of receivables in the year ended 31 December 2021 (year ended 31 December 2019: PLN 46 thousand).

Trade receivables	31 December 2021	31 December 2020
Current	1 160	907
Overdue, with recognized impairment (provided for in full)	68	153

Other receivables	31 December 2021	31 December 2020
Overdue, with recognized impairment (provided for in full)	6	208

Impairment of receivables	31 December 2021	31 December 2020
Opening balance	1 166	1 228
- increases	25	42
- decreases	(915)	(92)
- allowance utilisation	(202)	(12)
Closing balance	**74**	**1 166**

The maximum amount of credit risk exposure as at the reporting date is equivalent to the carrying amount of the receivable. In the opinion of the Management Board, there is no significant credit risk concentration with respect to trade receivables, since the CPD Group has a large group of tenants.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

8 Inventories

	31 December 2021	31 December 2020
Finished goods	2 552	1 881
Goods for resale	1 148	1 533
Capitalised leasing liabilities	187	187
	3 887	**3 601**

Finished goods in the consolidated financial statements comprise completed construction project, i.e. Koszykowa . Goods for resale comprise plots in Alsonemedi (Hungary), Czosnów and Nowa Piasecznica.

	31 December 2021	31 December 2020
At the beginning of the period	**3 601**	**3 594**
Disposals	(353)	0
Impairment loss	679	64
Foreign exchange differences	(40)	(57)
As at the balance sheet date	**3 887**	**3 601**

9 Cash and cash equivalents

	31 December 2021	31 December 2020
Cash in hand and at bank	75 254	166 045
Restricted cash	3 234	3 765
Short-term bank deposits	3 285	336
	81 773	**170 146**

Restricted cash relates to amounts transferred as a result of the implementation of the credit agreement with Santander Bank and mBank Hipoteczny.

Cash and cash equivalents for the purposes of preparing the cash flow statement comprise cash in hand and at bank and short-term bank deposits.

10 Joint ventures

(a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

On 10 September 2014 CPD SA and its subsidiaries Smart City spółka z ograniczoną odpowiedzialnością sp.k., Lakia Enterprises Ltd concluded joint venture agreement with Unibep S.A. and Unidevelopment S.A. aimed at construction of residential complex with services and accompanying infrastructure. Smart City spółka z ograniczoną odpowiedzialnością sp.k. contributed land to the joint venture. Part of the land is to be transferred to the City of Warsaw or other entity for public roads and educational infrastructure.

On 9 March 2015 Unidevelopment SA joined Smart City spółka z ograniczoną odpowiedzialnością sp.k. as a limited partner. As at the balance sheet date the project was completed and in 2021 the investment agreement has been dissolved in the part related to this project. At the same time Smart City Spółka z ograniczoną odpowiedzialnością sp. k. become 100% subsidiary again.

(b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

On 22 February 2017 the group concluded another joint ventures agreement concerning construction of complete complex of multi-family buildings with accompanying services and infrastructure.

Subsequently the scope of the investment agreement has been extended on the whole property of Ursa Park Smart City spółka z ograniczoną odpowiedzialnością Sp.k. on 26 October 2018. The investment agreement assumes construction of three joint ventures: Ursa Park, Ursa Home and Ursa Sky, each consisting of two stages.

The first one - Ursa Park - has been completed in 2019 and comprised of 385 flats.

The second one - Ursa Home - consists of 341 flats (153 in the first stage and 188 flats in the second one). As at the balance sheet date all flats from this project are sold.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

10 Joint ventures (cont.)

(c) Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

Based on annex dated 22 September 2020 Unidevelopment joined Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp. k., who bought land and cumulated project outlays related to Ursa Sky from Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp. k. Since that moment the company is accounted for as joint venture. Ursa Sky is to consist of 183 and 201 flats respectively in the first and second stage. By the year end sales agreements were concluded for all flats in stage one and 115 flats in stage two.

The below table summarizes the carrying amounts of the Group major investments in joint ventures:

		31 December 2021	31 December 2020
a)	Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	0	85
b)	Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	1 105	0
c)	Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	11 690	27 136
		12 795	**27 221**

a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

	31 December 2021	31 December 2020
Opening balance as at 1 January	**85**	**0**
Group's share of the net profit or loss of the joint ventures presented in these consolidated financial statements	26	85
Group's participation in profit distributions	0	0
Conversion into subsidiary	(111)	0
Closing balance as at 31 December	**0**	**85**

b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

	31 December 2021	31 December 2020
Opening balance as at 1 January	**0**	**32 015**
Group's share in withdrawals of the contributions to the joint venture	0	(33 474)
Group's share in future contributions to the joint venture	0	(16 438)
Group's share in joint venture's profit distributions	0	(17 844)
Amendment of the property rights to the joint venture's net assets	0	6 967
Group's share of the net profit or loss of the joint ventures presented in these consolidated financial statements	18 025	20 078
Other adjustments	(16 920)	8 696
Closing balance as at 31 December	**1 105**	**0**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

10 Joint ventures (cont.)

c) Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

	31 December 2021	31 December 2020
Opening balance as at 1 January	**27 136**	**0**
Group's share in contributions to the joint venture	3 514	27 387
Group's share in withdrawals of the contributions to the joint venture	(11 253)	(4 247)
Group's share in future contributions to the joint venture	(5 278)	6 088
Group's share in joint venture's profit distributions	(8 545)	0
Amendment of the property rights to the joint venture's net assets	(1 415)	(1 841)
Group's share of the net profit or loss of the joint ventures presented in these consolidated financial statements	7 531	(251)
Closing balance as at 31 December	**11 690**	**27 136**

The financial information of individually material joint ventures of the Group as at 31 December 2021 and for the period from 1 January 2021 to 31 December 2021 is presented in the below table:

a) Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

Financial information from statement of financial position	31 December 2021	31 December 2020
Total non-current assets, including	**0**	**7**
Fixed assets	0	7
Total current assets, including:	**0**	**229**
Trade receivables and other receivables	0	82
Cash and cash equivalents	0	147
Total assets	**0**	**236**
Trade payables and other liabilities	0	66
Net assets	**0**	**170**
% held by the Group	*50%*	*50%*
Carrying amount of investment in joint venture presented in the consolidated financial statements	**0**	**85**

Financial information from statement of comprehensive income	31 December 2021	31 December 2020
Revenue	0	732
Result from continued operations	(58)	266

b) Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

Financial information from statement of financial position	31 December 2021	31 December 2020
Total non-current assets, including	**659**	**0**
Intangible assets	659	0
Total current assets, including:	**6 108**	**56 690**
Inventory	354	43 622
Trade receivables and other receivables	1 962	1 100
Cash and cash equivalents	3 792	11 968
Total assets	**6 767**	**56 690**
Trade payables and other liabilities	4 557	73 609
Net assets	**2 210**	**(16 919)**

CPD S.A.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

10 Joint ventures (cont.)

% held by the Group	*50%*	*50%*
Carrying amount of investment in joint venture presented in the consolidated financial statements	**1 107**	**0**

Financial information from statement of comprehensive income	31 grudnia 2021	31 grudnia 2020
Revenue	68 047	131 609
Interest income	0	7
Interest cost	3	15
Result from continued operations	22 492	37 957

c) Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością sp.k.

Financial information from statement of financial position	31 December 2021	31 December 2020
Total non-current assets, including	**261**	**141**
Intangible assets	261	141
Total current assets, including:	**84 346**	**62 614**
Inventory	73 809	49 329
Trade receivables and other receivables	539	10 508
Cash and cash equivalents	9 998	2 777
Total assets	**84 607**	**62 755**
Non-current liabilities	3 273	53
Trade payables and other current liabilities	61 291	18 601
Total liabilities	**64 564**	**18 654**
Net assets	**20 043**	**44 101**
% held by the Group	*58%*	*62%*
Carrying amount of investment in joint venture presented in the consolidated financial statements	**11 690**	**27 136**

Financial information from statement of comprehensive income	31 December 2021	31 December 2020
Revenue	82 046	10
Interest cost	8	0
Result from continued operations	12 912	(408)

11 Share capital

	Number of shares in thousands		Value of shares	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Ordinary shares series AA	26 371	26 371	2 637	2 637
Total	**26 371**	**26 371**	**2 637**	**2 637**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

11 Share capital (cont.)

As of the date of these condensed consolidated financial statements share capital amounts to PLN 2.637 thousand. There have been no changes in share capital from the balance sheet date until the date of these consolidated financial statements. The shares issued are not privileged. Each of the issued shares has a nominal value of PLN 0,10 and has been fully paid.

On 28 February 2019 General Shareholders' Meeting entitled CPD SA Management Board to acquire 8.700.000 own shares for redemption until 31 January 2021.

On 22 March 2019, 26 March 2020 and 25 June 2020 CPD SA bought respectively 3.305.886, 614.385 and 4.779.565 own shares.
On 24 June 2021 General Shareholders Meeting increased up to 17.404.946 the number of own shares with Management Board authorisation to acquire and redeem until 31 December 2022. The maximum unit acquisition price has been determined at PLN 19,71. The acquisition of the whole stake was executed on 5 August 2021.

As a consequence the Company has 17.404.946 own shares at the balance sheet date. The shares represent 66,00% of CPD SA share capital. However based on the relevant regulations the Company is prevented from executing voting rights from own shares.

On 18 October 2021 shareholders resolved on redemption of all the acquired own shares and resulting share capital reduction down to PLN 896,6 thousand. The reduction has been registered by the court already in 2022.

12 Trade payables and other payables

Long-term trade payables and other payables

	31 December 2021	31 December 2020
Deposits of tenants	2 629	2 820

Short-term trade payables and other payables

	31 December 2021	31 December 2020
Trade payables	1 053	2 282
Other liabilities	503	322
Advanced sales payments	2 506	6 480
Output VAT and other tax liabilities	10 236	22 261
Deposits of tenants	230	301
Accruals and deferred income	2 166	20 094
Total	**16 694**	**51 740**

Trade payables bear no interest and are payable within one the year.

The estimated fair value of trade payables and other payables is a discounted amount of expected future outflows, which the CPD Group will pay, and it approximates their carrying amount.

The received advance payments results from preliminary agreements for sale of properties owned by the Group companies. Drop in the value of the received prepayments as compared to the end of 2020 results from ownership transfer of the plots the prepayments related to.

The accruals relate mainly to potential tax risks, while provision for potential losses of the joint venture to be covered by the Group were it's biggest item as at the end of prior year.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

13 Borrowings (including leasing)

	31 December 2021	31 December 2020
Long-term		
Bank loans	51 957	0
Leasing liabilities	5 594	5 454
	57 551	**5 454**
Short-term		
Bank loans	37 309	101 639
IRS derivative	0	208
	37 309	**101 847**
Total loans and borrowings	**94 860**	**107 301**

As of the balance sheet date bank loans consist of the payables of PLN 55 597 thousand to Santander Bank Polska SA and of PLN 33 669 thousand to mBank Hipoteczny SA.

On 12 August 2011 the subsidiary Belise Investments Sp. o.o. entered into a bank loan agreement with Santander Bank Polska S.A. to finance or refinance part of the fit out cost in the office building IRIS.

The loan is collateralised by mortgage on Belise Investments property, pledge on its share, cash deposit as well as guarantees granted by CPD SA and Lakia Enterprises.

In February 2016 Belise Investments entered into a swap transaction rate IRS, in order to hedge the interest payments, for an amount corresponding to 80% of the loan Santander Bank. The IRS expired during the second quarter of 2021 and CAP type interest rate option has been acquired on 31 May 2021 in order to continue the heading. The instrument is presented as long term investment in the balance sheet.

On 18 June 2014 the subsidiaries Lakia Investments and Robin Investments entered into loan agreements with mBank Hipoteczny. The above mentioned loan was granted to refinance a loan with HSBC Bank Poland from 2006, which was used to finance the office investments located in Cybernetics 7b and Połczyńska 31a. Mortgage credit in the mBank was launched on 1 July 2014.

The loan was granted on market terms is secured by mortgage on the properties owned by Robin Investments Sp. o.o. and Lakia Investments Sp. o.o. and registered pledge on the shares of these companies, guarantee by Lakia Enterprises and security deposits.

During 2017 Lakia Investments reported non-compliance with one of credit facility covenants, which entitles the bank to request repayment of the whole outstanding loan amounts of both Lakia Investments Sp. z o.o and Robin investments Sp. z o.o. Until the moment of preparation of these interim condensed consolidated financial statements the bank has not issued such a request. These loans are being serviced in full on a timely basis, however related payables are presented as short-term.

Lease liabilities relate to the right to perpetual usufruct and are recognized due to the increase in the fair value of investment property for accounting purposes (note 5).

	31 December 2021	31 December 2020
Repayment of the principal amount of lease liabilities based on the effective interest rate due within:		
1 year	3	3
from 1 to 5 years	12	13
after more than 5 years	5 579	5 438
	5 594	**5 454**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

13 Borrowings (including leasing) (cont.)

	31 December 2021	31 December 2020
Par value of minimum lease payments due:		
within 1 year	423	412
from 1 to 5 years	1 690	1 647
after more than 5 years	26 847	26 577
	28 960	**28 636**
Future financial costs	(23 366)	(23 182)
	5 594	**5 454**

The exposure of the CPD group loans and borrowings, excluding finance lease, to interest rate risk and the contractual dates of changes in the interest rates as at the balance sheet date are presented below:

	31 December 2021	31 December 2020
up to 6 months	35 508	101 639
from 6 months to 1 year	1 802	0
from 1 to 5 years	51 956	0
	89 266	**101 639**

The carrying amount of loans and borrowings approximates their fair value.

All the Group's bank loans are denominated in EUR.

Lakia Enterprises Ltd established a registered pledge on all shares in the capital of Lakia Investments and Robin Investments amounting to up to EUR 5.9 million (Lakia) and EUR 4.4 million (Robin) for the benefit of mBank in connection with the credit taken from mBank Hipoteczny in 2014.

Lakia Enterprises Ltd and CPD SA respectively established a registered pledge on all shares in the capital of Belise Investments and accepted voluntary execution up to PLN 30.2 million each for the benefit of Santander Bank in connection with the credit taken from Santander Bank.

14 Changes of indebtedness

	Bank loans	Bonds	Capitalised lease	IRS derivative	Total
1 January 2021	**101 639**	**0**	**5 454**	**325**	**107 418**
Accrued interest	2 096	0	0	0	2 096
Principal repaid	(11 225)	0	(3)	(325)	(11 553)
Interest repaid	(2 076)	0	0	0	(2 076)
Other non-cash changes, including:	(1 168)	0	(2 321)	0	(3 489)
- Balance sheet reclassifications	*0*	*0*	*(2 244)*	*0*	*(2 244)*
- Other changes	*0*	*0*	*(77)*	*0*	*(77)*
- Balance sheet valuation	*(1 168)*	*0*	*0*	*0*	*(1 168)*
31 December 2021	**89 266**	**0**	**5 594**	**0**	**94 860**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

14 Changes of indebtedness (cont.)

	Bank loans	Bonds	Capitalised lease	IRS derivative	Total
1 January 2020	**63 740**	**0**	**3 536**	**478**	**67 754**
Accrued interest	2 046	0	0	0	2 046
Principal repaid	(4 973)	0	0	0	(4 973)
Interest repaid	(2 049)	0	0	0	(2 049)
Other non-cash changes, including:	42 875	0	1 918	(153)	44 640
- Balance sheet reclassifications	*34 952*	*0*	*1 832*	*0*	*36 784*
- Other changes	*0*	*0*	*86*	*0*	*86*
- Balance sheet valuation	*7 923*	*0*	*0*	*(153)*	*7 770*
1 January 2021	**101 639**	**0**	**5 454**	**325**	**107 418**

15 Deferred income tax

Deferred income tax assets and provision are offset if there is an enforceable legal title to offset current income tax assets against current income tax liabilities and if deferred income tax assets and provision relate to taxes assessed by the same tax authorities.

	31 December 2021	31 December 2020
Deferred tax assets before offset	**1 379**	**10 597**
Offset against deferred tax liability	(1 379)	(10 597)
Deferred tax assets	**0**	**0**
Deferred income tax liabilities before offset	**15 611**	**29 949**
Offset against deferred tax asset	(1 379)	(10 597)
Deferred income tax liabilities after offset	**14 232**	**19 352**
- to be paid after more than 12 months	8 615	2 934
- to be paid within 12 months	5 617	16 418

	12 months ended 31 December 2021	12 months ended 31 December 2020
Change in deferred tax assets	(9 218)	320
Change in deferred tax liabilities	(14 338)	2 227
Amount charged/(credited) to profit or loss	**5 120**	**(1 907)**

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred income tax liabilities (before offset)

	2020	Charged to profit/(loss)	Charged to other comprehensive income	2021
Property valuation at fair value	9 147	565	0	9 712
Accrued interest on loans	11 530	(5 821)	0	5 709
Deferred revenue	9 148	(9 020)	0	128
Foreign exchange differences	122	(60)	0	62
Other	2	(2)	0	0
Total	29 949	(14 338)	0	15 611

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

15 Deferred income tax (cont.)

	2019	Charged to profit/(loss)	Charged to other comprehensive income	2020
Property valuation at fair value	6 649	2 498	0	9 147
Accrued interest on loans	11 783	(253)	0	11 530
Provision for income	9 271	(123)	0	9 148
Foreign exchange differences	19	103	0	122
Total	27 722	2 227	0	29 949

Deferred income tax assets (before offset)

	2020	Charged to profit/(loss)	Charged to other comprehensive income	2021
Accrued interest	987	(26)	0	961
Foreign exchange differences	322	(28)	0	294
Provisions	154	(75)	0	79
Other	9 015	(8 979)	0	36
Tax losses	119	(110)	0	9
	10 597	(9 218)	0	1 379

	2019	Charged to profit/(loss)	Charged to other comprehensive income	2020
Accrued interest	881	106	0	987
Foreign exchange differences	75	247	0	322
Provisions	97	57	0	154
Other	9 080	(65)	0	9 015
Tax losses	144	(25)	0	119
	10 277	320	0	10 597

	31 December 2021	31 December 2020
Tax losses	47	626
Deductible temporary differences on loans and borrowings (foreign exchange differences and accrued interest)	5 058	5 195
Other deductible temporary differences	2 153	49 953
Total	7 258	55 774
Deferred tax assets before offset	**1 379**	**10 597**
Offset of deferred tax assets and liabilities	(1 379)	(10 597)
Net deferred tax assets	**0**	**0**

Deferred income tax assets on the tax loss and deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilised.

Expiry of tax losses as at 31.12.2021

	2022	2023-2024	2025-2026	Total
Losses on which deferred tax was recognized	26	41	36	103
Losses on which deferred tax was not recognized	1 868	7 643	1 012	10 523

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

15 Deferred income tax (cont.)

Expiry of tax losses as at 31.12.2020

	2021	2022-2023	2024-2025	Total
Losses on which deferred tax was recognized	0	362	266	628
Losses on which deferred tax was not recognized	3 414	17 646	1 032	22 092

16 Revenues

Revenues by category:	12 months ended 31 December 2021	12 months ended 31 December 2020
Rental income	11 034	11 023
Sales of inventories	385	0
Real estate advisory services	1 007	1 203
Rent related services	6 613	6 280
Accounting services	41	53
	19 080	**18 559**

In both 2021 and 2020 rental income was the main item in revenues.

The Group adopted the below described model of standard rental contracts:

• rent is expressed in EUR and indexed for the annual inflation rate for EUR (invoiced in PLN),

• specified rental period without a possibility of early termination.

Future minimum cumulative rental revenues resulting from irrevocable lease agreements:

	12 months ended 31 December 2021	12 months ended 31 December 2020
up to 1 year	9 120	10 830
from 1 to 5 years	17 292	22 086
more than 5 years	1 339	29
	27 751	**32 945**

17 Cost of sales

	12 months ended 31 December 2021	12 months ended 31 December 2020
Cost of inventories sold	353	0
Changes in impairment write-downs of inventories	(679)	(64)
Cost of services provided	3 348	3 195
	3 022	**3 131**

18 Administrative expenses – relating to properties

	12 months ended 31 December 2021	12 months ended 31 December 2020
Employee expenses	3 703	4 666
Property maintenance	5 452	5 196
Real estate tax	834	871
Perpetual usufruct	604	1 041
Depreciation and amortization	122	152
	10 715	**11 926**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

19 Other income

	12 months ended 31 December 2021	12 months ended 31 December 2020
Provision released	1 098	1 710
Waived or expired liabilities	0	163
Disposal of PPE	(16)	0
Contractual penalties received	1 897	514
Other	504	424
	3 483	**2 811**

20 Administrative expenses - other

	12 months ended 31 December 2021	12 months ended 31 December 2020
Advisory services	4 032	4 990
Audit fee	180	277
Transport	10	8
Taxes	202	56
Office maintenance	849	766
Other services	620	273
Costs of not deductible VAT	228	176
Other costs	320	32
	6 441	**6 578**

21 Financial income and costs

	12 months ended 31 December 2021	12 months ended 31 December 2020
Costs related to instruments measured at amortised cost:		
Bank loans valuation	(2 490)	(2 512)
Leasing interest	(578)	(320)
Net foreign exchange loss	0	(7 875)
Costs related to instruments measured at fair value:		
Tax interest	(668)	(802)
Other financial costs:		
Other	0	(1 232)
Financial costs	**(3 736)**	**(12 741)**
Income related to instruments measured at amortised cost:		
Net foreign exchange gain	416	0
Income related to instruments measured at fair value:		
Bank interest	0	441
Tax interest	262	675
Interest from unrelated entities	1	0
Derivatives valuation	21	271
Other financial income	94	0
Financial income	**794**	**1 387**
Financing activities, net	**(2 942)**	**(11 354)**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

22 Income tax expense

	12 months ended 31 December 2021	12 months ended 31 December 2020
Current tax	5 730	5 648
Deferred tax (Note 15)	(5 120)	1 907
	610	**7 555**

Polish subsidiaries are subject to Polish corporate income tax, which is accrued at the rate of 19% on the profit or loss adjusted for tax purposes. Under certain conditions the tax rate may be reduced to 9%. Cypriot subsidiaries are subject to Cypriot income tax calculated on taxable profit at the tax rate of 12,5%. Realized gains on the sale of shares and other ownership titles, interest and dividends received from abroad are, as a rule, exempt from taxation in Cyprus. In some circumstances interest and dividends can be taxable.

The income tax expense presented in the CPD Group's financial result differs from the theoretical amount which would result from the uniform application of the 19% tax rate applicable to profits of companies with their registered offices in Poland to accounting profit before tax.

	12 months ended 31 December 2021	12 months ended 31 December 2020
Profit before tax	**31 783**	**23 862**
Estimated tax liability at 19% tax rate	(6 039)	(4 534)
Tax impact of:		
- various tax rates applicable to Group companies	205	541
- loss of companies where the asset was not recognized	(117)	(235)
- use of prior years losses, where the assets has not recognised	0	2 807
- changes in tax rates	3 215	(3 215)
- tax on intercompany transactions	2 000	(3 091)
- joint ventures valuation	0	0
- other	100	172
Income tax expense	**(610)**	**(7 555)**

23 Contingencies

According to the general Polish regulations, the tax authorities may perform an inspection of books and records at any time within 5 years after the end of the reporting period and assess additional tax and penalties if any irregularities are found.

On 20 May 2021 Ursa Sky Smart City Sp. z o.o sp. k concluded an investment loan agreement with Millenium bank with a maximum amount of PLN 30 million. As a collateral CPD SA concluded debt participation agreement. As a t the end of 2021 the outstanding loan amounted to PLN 213 thousand. Subsequent to the year end the loan has been repaid, related agreement cancelled resulting in expiry of the contingent liability.

According to the best knowledge of the Management of the CPD Group, except of the above, there are no circumstances which could result in any significant contingent liabilities.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

24 Basic operating cash flows

	12 months ended 31 December 2021	12 months ended 31 December 2020
Adjustments of operating cash flows for:		
- depreciation of tangible fixed assets	121	152
– currency translation adjustments	60	(674)
- foreign exchange differences	(1 198)	7 924
- result on investment properties valuation	(3 699)	(15 921)
– share of the profit or loss of the joint ventures	(10 087)	(19 735)
- result on investment valuation of asset held for sale	(293)	31
- interest expenses	2 124	2 088
- interest income	0	(441)
- impairment of inventories	(679)	(64)
- result on investment property disposal	(827)	165
- result on derivatives valuation	(223)	(270)
- other adjustments	0	1
Movements in working capital:		
- change in receivables	16 683	(11 640)
- change in inventories	353	0
- change in trade payables and other payables	(31 438)	(2 399)
	(29 103)	**(40 783)**

25 Transactions with related entities and transactions with employees

CPD S.A. does not have a direct parent company or the ultimate parent company. Meduvo Holding and Furseka Trading are significant investors , having significant influence on the Company.

The CPD Group also concludes transactions with key managers and other related entities controlled by the Group's key managers.
All related party transactions have been at arm's length.

The CPD group concluded the following transactions with related parties:

	12 months ended 31 December 2021	12 months ended 31 December 2020
a) Transactions with key managers		
Remuneration of the Management Board members	1 792	2 324
Cost of work and services provided by members of the Management Board	601	3 513
Cost of remuneration of members of the Supervisory Board	468	552
Sales to Board Members	0	5

	31 December 2021	31 December 2020
Total receivables	19	24
Total payables	0	1 515

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

25 Transactions with related entities and transactions with employees (cont.)

		12 months ended 31 December 2021	12 months ended 31 December 2020
b) Transactions with other related parties			
Revenues			
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- services*	8	34
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- services*	167	682
Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- services*	966	199
Costs			
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	*- services*	102	101
Laxey Partners (UK) Ltd	*- services*	0	16
Liabilities			
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	*- trade payables*	7	16
Receivables			
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- trade receivables*	0	7
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- trade receivables*	16	56
Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- trade receivables*	215	244

26 Seasons of activity and unusual events

The activity of the CPD Group is not seasonal nor cyclical.

27 Contractual liabilities (commitments)

On 23 September 2021 subsidiary Antigo Investments spółka z ograniczoną odpowiedzialnością concluded preliminary property disposal agreement for part of Ursus property.
As at the balance sheet date the above properties are presented as assets held for sale.

28 Assets and liabilities held for sale

As at 31 December 2021 part of properties and leasing liabilities of Antigo Investments Sp., z o.o. were classified as held for sale.

As at 31 December 2021 properties and leasing liabilities of Ursus Developments Sp., z o.o. were classified as held for sale.

Assets held for sale	31 December 2021	31 December 2020
Investment properties	2 500	79 165
Capitalised leasing liabilities from perpetual usufruct	2 244	6 085
	4 744	**85 250**
Liabilities classified as held for sale		
Borrowings, including leasing	2 244	6 085
Net assets held for sale	**2 500**	**79 165**

Additional notes and explanations to the consolidated financial statements

29 Auditor remuneration

Remuneration for the Group auditor amounted to PLN 166 thousand in the current year and PLN 277 thousand in prior year.

30 Dividend distribution

The Group did not pay nor declared any dividend or interim dividend in the current nor previous financial years.

31 Earnings per share – basic and diluted

Basic earnings per share are calculated as profit from continued operations attributable to equity holders of the Company divided by weighted average number of ordinary shares during the year, excluding own shares.

	12 months ended 31 December 2021	**12 months ended 31 December 2020**
Profit (loss) attributable to the shareholders in the parent company	31 173	16 307
Weighted average number of ordinary shares (in '000)	14 141	20 119
Earnings per share	**2,20**	**0,81**
Diluted profit (loss) attributable to shareholders	31 173	16 307
Weighted average number of ordinary shares (in '000)	14 141	20 119
Diluted earnings per share	**2,20**	**0,81**

There were no items diluting the Group earnings in any of 2020 nor 2021.

	31 December 2021	**31 December 2020**
Net assets at book value	144 663	285 048
Number of ordinary shares (in '000)	8 966	17 671
Net assets per share	**16,13**	**16,13**

Number of ordinary shares in the net assets per share calculation is reduced by the own shares possessed by the Group.

32 Reporting segments

In accordance with a definition in IFRS 8, the CPD Group represents one operating segment and is recognized by the Management Board as such.

The split of external operating income is presented in Note 17.

At the end of the year, the CPD Group’s parent company had its registered office in Warsaw.

In both current and prior financial year all the Group third party revenues were generated in Poland.

Similarly non-current assets, including investment properties, PPE and intangibles are located in Poland.

Additional notes and explanations to the consolidated financial statements

33 Events after the balance sheet date

On 31 January 2022 20/140 Gaston Investments Sp. z o.o. sp. k. has been cancelled from the entrepreneurs register.

On 15 February shareholders resolved on opening liquidation of Challange Eighteen Sp. z o.o.

On 14 March KRS registered reduction of share capital in CPD SA.

On 24 March Belise Investments concluded preliminary conditional agreement to dispose its office property in Warsaw. The agreements provides for the disposal to take place within 45 days since the suspending condition i.e. obtaining of individual binding ruling, however no later than 15 October 2022.The agreements stipulates for the conditions when parties are entitled to withdraw from the transaction. If executed, the disposal will result in a loss of estimated PLN 21 million.

Apart from the above, there were no significant events after the balance sheet date.