CPD S.A.

Financial statements

for the year ended 31 December 2021

CPD S.A.

(All amounts in PLN thousands unless otherwise stated)

Statement of comprehensive income

	Notes	12 months ended 31/12/2021	12 months ended 31/12/2020
Revenues	13	161	157
Administrative costs	14	(4 221)	(4 844)
Marketing costs		0	(28)
Result from revaluation of loans to fair value	17	11 865	15 707
Other operating income	15	0	54
Other operating cost	16	(2)	(79)
OPERATING RESULT		**7 803**	**10 967**
Financial income	18	108 072	126 352
Financial costs	18	(16 970)	(477)
PROFIT (LOSS) BEFORE INCOME TAX		**98 904**	**136 842**
Income tax	19	133	273
PROFIT (LOSS) FOR THE YEAR		**99 037**	**137 115**
OTHER COMPREHENSIVE INCOME		0	0
TOTAL COMPREHENSIVE INCOME		**99 037**	**137 115**
BASIC EARNINGS PER SHARE (PLN)	**25**	**7,00**	**6,82**
DILUTED EARNINGS PER SHARE (PLN)	**25**	**7,00**	**6,82**

The notes on pages 7 - 31 are an integral part of these financial statements.

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Statement of financial position

		As of	
ASSETS	Notes	31/12/2021	31/12/2020
Non-current assets			
Long-term receivables	4	37 657	84 301
Shares in subsidiaries and jointly controlled entities	5	19 993	35 043
Total non-current assets		**57 650**	**119 344**
Current assets			
Trade receivables and other receivables	6	22 276	115 789
- trade receivables and loans		22 270	115 786
- prepaid expenses		6	3
Income tax receivables		195	0
Cash and cash equivalents	7	64 384	15 529
Total current assets		**86 855**	**131 318**
Total assets		**144 505**	**250 662**
EQUITY			
Share capital	8	2 637	2 637
Treasury shares	8	(288 972)	(117 395)
Share premium		677 034	677 034
Embedded element at inception date		(27 909)	(27 909)
Reserve capital	9	987	987
Accumulated profit (loss)		(233 509)	(332 546)
Total equity		**130 268**	**202 808**
LIABILITIES			
Non-current liabilities			
Borrowings	11	0	32 073
Deferred tax liability	12	4 944	10 629
Total non-current liabilities		**4 944**	**42 702**
Current liabilities			
Borrowings	11	9 069	4 903
Trade payables and other liabilities	10	224	249
Total current liabilities		**9 293**	**5 152**
Total equity and liabilities		**144 505**	**250 662**
Net assets value per share in PLN, excluding treasury shares		**14,53**	**11,48**

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(All amounts in PLN thousands unless otherwise stated)

Statement of changes in equity

	Notes	Share capital	Treasury shares	Share premium	Embedded element at inception date	Reserve capital	Accumulated profit (loss)	Total
Balance as at 1/1/2021		**2 637**	**(117 395)**	**677 034**	**(27 909)**	**987**	**(332 546)**	**202 808**
Acquisition of treasury shares	8	0	(171 577)	0	0	0	0	(171 577)
		0	(171 577)	0	0	0	0	(171 577)
Comprehensive income for the period		0	0	0	0	0	99 037	99 037
		0	0	0	0	0	99 037	99 037
Balance as at 31/12/201		**2 637**	**(288 972)**	**677 034**	**(27 909)**	**987**	**(233 509)**	**130 268**
Balance as at 1/1/2020		**2 637**	**(43 010)**	**677 034**	**(27 909)**	**987**	**(469 661)**	**140 078**
Acquisition of treasury shares	8	0	(74 385)	0	0	0	0	(74 385)
		0	(74 385)	0	0	0	0	(74 385)
Comprehensive income for the period		0	0	0	0	0	137 115	137 115
		0	0	0	0	0	137 115	137 115
Balance as at 31/12/2020		**2 637**	**(117 395)**	**677 034**	**(27 909)**	**987**	**(332 546)**	**202 808**

The notes on pages 7 - 31 are an integral part of these financial statements.

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Board Member

(All amounts in PLN thousands unless otherwise stated)

Cash flow statement

	Notes	12 months ended 31/12/2021	12 months ended 31/12/2020
Cash flow from operating activities			
Cash generated from operations	21	102 546	121 696
Income tax paid		(5 747)	0
Net cash generated from operating activities		**96 799**	**121 696**
Cash flows from investing activities			
Investment into a subsidiary and jointly controlled entity	5	(16 614)	(30 013)
Repayment of capital contribution made by a jointly controlled entity	5	15 069	0
Loans granted		(11 562)	(98 645)
Loan repayments received		111 512	43 093
Interest received		32 693	4 076
Net cash generated from investing activities		**131 098**	**(81 489)**
Cash flows from financing activities			
Acquisition of treasury shares	8	(171 577)	(74 385)
Loans received	11	0	20 441
Borrowings repayments	11	(7 415)	(885)
Payment of interest on loan	11	(50)	(82)
Net cash generated from financing activities		**(179 042)**	**(54 912)**
Change in net cash and cash equivalents		**48 855**	**(14 705)**
Cash and cash equivalents at the beginning of year		**15 529**	**30 234**
Cash and cash equivalents at the end of the period		**64 384**	**15 529**

The notes on pages 7 - 31 are an integral part of these financial statements.

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Elżbieta Donata Wiczkowska
Board Member

John Purcell
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Iwona Makarewicz
Board Member

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

1 General information

CPD S.A. ("Company", "CPD") with its registered office in Warsaw (02-667), Cybernetyki 7B, was established on the basis of statute on 26 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.

On 2 September 2010 Extraordinary Shareholders Meeting passed a resolution changing the company name from POEN S.A. to Celtic Property Developments S.A.

On 14 December 2010, the prospectus of Celtic Property Developments S.A. was approved. On 17 December KDPW (Krajowy Depozyt Papierów Wartościowych) granted the Company the status of KDPW participant in the EMITENT type, registered 34,068,252 ordinary B series bearer shares of the Company with a nominal value of PLN 0.10 each and marked them with the code PLCELPD00013. Three days later the shares were admitted to public trading on parallel market. The shares were registered in the National Depository and on 23 December 2010 introduced to trading in the continuous trading system. The Company's shares are listed on the Warsaw Stock Exchange.

On 29 May 2014 Extraordinary Shareholders Meeting passed a resolution 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

The subject of the company's activities (in accordance with the Articles of Association of the Company) is the activity of financial holding companies, activities linked to the real estate market and central business support (head offices).

The company is the parent of the CPD Capital Group. Annual consolidated financial statements of the Group have been prepared in accordance with the requirements of EU-IFRS.

In order to fully understand the financial position and results of operations of CPD S.A., as the parent company of the Group, these financial statements should be read in conjunction with the annual consolidated financial statements for the period ended 31 December 2021. These reports are available on the Company's website at www.cpdsa.pl.

The Company's share capital as of 31 December 2021 amounted to PLN 2,637,113.10 and is divided into 26,371,131 AA series, with shares nominal value of PLN 0.10 (ten groszy) each, which entitle to exercise 26.371.131 votes.

These financial statements have been adopted by the Management Board on 27 April 2022.

The Company uses following registration numbers:
REGON (statistical registration) 120423087
NIP (VAT registration) 677-22-86-258

The Board of Directors of the Company consists of:
Colin Kingsnorth - Chairman of the Board
Elżbieta Donata Wiczkowska - Board Member
John Purcell - Board Member
Iwona Makarewicz - Board Member

The Supervisory Board of the Company consists of:
Andrew Pegge - Chairman of Supervisory Board
Wiesław Oleś - Secretary of the Supervisory Board
Mirosław Gronicki - Member of the Supervisory Board
Hanna Karwat - Ratajczak - Member of the Supervisory Board
Krzysztof Laskowski - Member of the Supervisory Board

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2 The accounting principles

2.1 Basis of preparation

The Company's financial statements have been prepared on a going concern basis. There are no circumstances indicating a threat to the continued activity of the Company in the foreseeable future.

The company's financial statements have been drawn up in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Commission and applicable at the reporting date of these financial statements. IFRS include standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee.

New and amended standards and interpretations which came into force on 1 January 2021 and description of its impact on these financial statements:

The accounting policies used in preparing these financial statements are consistent with those used in preparing the Company's financial statements for the year ended 31 December 2020, except for the application of the following new standards, amendments to standards and new interpretations effective for annual periods beginning on 1 January 2021:
- Amendments to IFRS 4 "Insurance Contracts" - Deferral of application of IFRS 9 "Financial Instruments" (applicable to annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16: Reform of the Index of Reference Rates (IBOR) (applicable to annual periods beginning on 1 January 2021 or thereafter, with earlier application),
- Amendments to IFRS 16 Leases: Rent Relief Associated with Covid-19 after 30 June 2021, published on 31 March 2021 (applicable to annual periods beginning on or after 1 April 2021). As a practical expedient, a lessee may elect not to evaluate whether rent relief granted directly in connection with a Covid-19 pandemic that meets certain conditions constitutes a lease modification. A lessee that makes this election shall recognize any change in lease payments resulting from the rent relief in the same manner as it would recognize the change under IFRS 16 if the change did not constitute a lease modification. In March 2021, the Board extended the availability of the practical expedient for rent abatement until June 2022. The amendment is effective 1 April 2021 with early application permitted.

The Management Board of the Company analysed new or changed standards and interpretations and did not identify their significant impact on the financial reporting of CPD S.A.

Published standards and interpretations that are not yet effective and have not been early adopted by the Company:

In these financial statements, the Company has not decided to early apply the following published standards, interpretations or amendments to existing standards before their effective date:

IFRS 14 Regulatory accruals (published on 30 January 2014)

In accordance with the decision of the European Commission, the process of approval of the standard in the preliminary version will not be initiated before the standard in the final version is published - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after 1 January 2016.

Amendments to IFRS 10 and IAS 28: Transactions for the sale or contribution of assets between an investor and its associate or joint venture (published on 11 September 2014)

The work leading to the approval of these amendments has been postponed indefinitely by the EU - the effective date has been postponed indefinitely by the IASB.

IFRS 17 Insurance contracts (published on 18 May 2017) including Amendments to IFRS 17 (published on 25 June 2020)

Applicable for annual periods beginning on or after 1 January 2023.

Amendments to IAS 1: Presentation of financial statements - Separation of liabilities into current and non-current liabilities and Separation of liabilities into current and non-current liabilities

Deferred effective date (published on 23 January 2020 and 15 July 2020, respectively) - not endorsed by the EU until the date of approval of these financial statements - effective for annual periods beginning on or after 1 January 2023.

Amendments to IFRS 3: Amendments to references to the Conceptual Framework (published on 14 May 2020)

Applicable to annual periods beginning on 1 January 2022 or later.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.1 Basis of preparation (continued)

Amendments to IAS 16: Property, plant and equipment: income before use (published on 14 May 2020)
Applicable to annual periods beginning on or after 1 January 2022.

Amendments to IAS 37: Burdensome contracts - Costs of fulfilling contractual obligations (published on 14 May 2020)

Applicable for annual periods beginning on or after 1 January 2022.

Amendments resulting from the review of IFRS 2018-2020 (published on 14 May 2020)
Applicable to annual periods beginning on or after 1 January 2022.

Amendments to IAS 1 and Practice Statement 2: Disclosures about accounting principles (policies) (published on 12 February 2021)
Not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2023 or later.

Amendments to IAS 8: Definition of Accounting Estimates (published on 12 February 2021)
Not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2023 or later.

Amendments to IAS 12: Deferred tax on assets and liabilities arising from a single transaction (published on 7 May 2021)

Not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2023 or later.

Amendments to IFRS 17 Insurance Contracts: First-time Adoption of IFRS 17 and IFRS 9 - Comparative Information (published on 9 December 2021)
Not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2023 or later.

Management is currently reviewing the impact of the above standards on the Company's financial position, results of its operations and the scope of information presented in the financial statements. Management Board of the Company does not expect that the new standards or amendments to existing standards may have a significant impact on the financial statements of the Company for the period in which they will be applied for the first time.

2.2 Tangible fixed assets

Tangible fixed assets are reported in historical value, which shall be reduced by the write-off, if necessary. Historical cost includes expenditures directly related to the acquisition of assets.

Subsequent expenditures are either included in the carrying amount of an asset or are recognised as a separate asset (where appropriate) only when it is probable that in respect of this item there will be inflow of economic benefits to the company and the cost of the item can be measured reliably. All other expenditure on repairs and maintenances are expensed in the accounting period in which they are incurred.

The depreciation of fixed assets (or components, if any) shall be calculated on a straight-line basis in order to share their initial value, minus the residual value, over their useful life. At each balance sheet date the verification is carried out of the residual value and periods of useful life of the asset. Fixed assets are depreciated over the period of their use (three to five years).

In case the carrying amount of an asset exceeds its estimated recoverable amount the asset is immediately written down to its recoverable value.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds from disposal with their carrying amount and are recognized in the statement of comprehensive income in the period in which the disposal occurs.

2.3 Shares in subsidiaries

Shares in subsidiaries are valued at cost, adjusted for subsequent write-down for impairment.

The Company at each reporting date analyses shares held in subsidiaries for impairment. An impairment loss is recognized for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of assets less costs to sell or value in use. Shares in respect of which previously assets were impaired are assessed at each reporting date for the occurrence of reasons for possible reversal of the impairment.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.4 Financial assets

Financial assets are either classified as financial assets measured at fair value through profit or loss or as financial assets measured at amortized cost.
Financial assets measured at amortized cost are classified as financial assets if both of the following conditions are met:
(a) the financial asset is held in accordance with a business model that seeks to hold the financial asset to produce contractual cash flows,
(b) The terms of the contract for the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding (so called SPPI test).
The Company classifies the following into the category of financial assets measured at amortized cost: trade receivables, and cash and cash equivalents. Loans granted, in the Company's opinion, do not meet the described requirements to be classified as financial assets measured at amortized cost (failed SPPI test) and are therefore measured at fair value through profit or loss.
Financial assets are classified as current assets provided their maturity does not exceed 12 months from the balance sheet date. Assets with maturities exceeding 12 months are classified as non-current assets.

Financial assets, due to the business model and the nature of the flows associated with them, are assessed at each balance sheet date for expected credit losses, regardless of whether there is any indication of impairment. The method of making this assessment and estimating the allowance for expected credit losses differs for each class of financial assets. The estimate of the allowance is based primarily on historical past due amounts and the relationship of past due amounts to actual repayments over the past five years, taking into account available forward looking information.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and CPD has transferred substantially all risks and rewards of ownership.

2.5 Cash and equivalents

Cash equivalents include cash on hand, bank deposits payable on demand, other short-term investments with a high degree of liquidity and with an original maturity of up to three months or less.

2.6 Share capital

Share capital is the nominal value of the issued shares.

Costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.7 Trade liabilities

Trade payables are recognized initially at fair value and, after initial recognition, they are measured at amortized cost using the effective interest rate method.
In the case when the difference between the value of amortized cost and the nominal value is not significant, such liability is recognized in the balance sheet at nominal value.

2.8 Credits and loans

Loans are recognised initially at fair value less transaction costs incurred and are, after initial recognition, measured at amortised cost using the effective interest rate method.
Loans are classified as current liabilities, provided that the company does not have the unconditional right to postpone payments for at least 12 months after the balance sheet date.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.9 Compound financial instruments

Compound financial instruments issued by the group comprise convertible bonds that can be converted into share capital at the discretion of the holder, the number of shares to be issued is not dependent on changes in their fair value.

With regards to financial instruments where the fair value is different from the price to pay and when that fair value is based on market data, the company recognizes the "day-one-loss", which is allocated depending on specifics of the transaction. In case of issue of convertible bonds, which as a whole has been addressed to the shareholders of the Company's day-one-loss is recognized in equity.

A liability and a compound financial instrument is recognized initially at the fair value of a similar liability that is not related conversion option into shares. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any possible directly attributable transaction costs are taken into account in the valuation of liability and equity components in proportion to their initial carrying amounts.

2.10 Embedded derivatives

In case of the acquisition of a financial instrument that includes an embedded derivative, and the whole or part of the cash flows of the financial instrument vary in a way similar to that built-in derivative instrument itself, the embedded derivative is recognized separately from the host contract. This occurs when the fulfilment of the following conditions takes place:

- A financial instrument is not classified as assets held for trading or available for sale, the revaluation results are recognized in the income or loss for the period,

- The nature of the embedded instrument and the related risks are not closely related to the nature of the host contract and the risks resulting from it,

- A separate instrument with the same characteristics as the embedded derivative would meet the definition of a derivative,

- It is possible to reliably determine the fair value of the embedded derivative.

Embedded derivatives are recognized in a similar way as other derivatives that are not designated as hedging instruments.

An embedded derivative are recognized as assets or liabilities at fair value through profit or loss.

This accounting policy chapter applies only to previous periods, when IFRS 9 was not in force. The company applied a limited retrospective approach when applying IFRS 9.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.11 Deferred income tax

Deferred income tax is recognized in full using the balance sheet method on each temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and tax losses. However, if the deferred income tax was raised from the initial recognition of an asset or liability in a transaction other than a business combination and that affects neither the profit nor the taxable income (tax loss), the deferred tax item is not recognized. Deferred income tax is determined using enacted or substantively enacted at the balance sheet date rates (and laws), that are expected to apply when the related realization of deferred tax assets or settle such liabilities.

Deferred tax assets are recognised only when it is probable that taxable income will be achieved in the future, which will allow the utilization of temporary differences or tax losses.

The Company offsets deferred tax assets against deferred tax liabilities if, and only if, the entity:
(a) has a legally enforceable right to set off deferred tax assets against deferred tax liabilities; and
(b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on:
(i) the same taxpayer; or
(ii) different taxpayers that intend to settle current tax liabilities and receivables on a net basis, or simultaneously realize receivables and settle liabilities, in any future period in which a significant amount of deferred tax liabilities are expected to be released or a significant amount of deferred tax assets are expected to be realized.

2.12 Employee benefits

CPD pays contributions to the Polish pension system, according to current indicators the gross salary for the duration of employment (state pension scheme). National pension scheme is based on defined contribution system and CPD is only required to pay fees at the time of the due date calculated in relation to the remuneration rate, and when the Company ceases to employ members of the state pension scheme, it is not required to payment of any additional benefits. National pension scheme is a defined contribution system. The cost of premiums is recognized in profit or loss in the same period in which the expense is recognized for its related remuneration.

2.13 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to comply with this obligation, and its size can be estimated reliably.

If there are a number of similar obligations, the likelihood of an outflow of resources in order to meet with them shall be determined in respect of the category of obligations as a whole. A provision is recognised even if there is a low probability of an outflow of resources in relation to a position the category. The amount of the reserves shall be shown in the current value of inputs, which is expected to be required to settle the obligation.

2.14 Revenues

Sales revenue is reported in the fair value of the consideration received or receivable from the sale of services in the ordinary course of business. All goods or services sold in packages that are separable as part of a package should be recognized separately; in addition, any discounts or rebates on the transaction price should generally be allocated to the individual elements of the package. Where the amount of revenue is variable, variable amounts are included in revenue to the extent that it is highly probable that the revenue recognition will not be reversed in the future as a result of a revaluation. In addition, costs incurred to obtain and secure a contract with a customer are capitalized and deferred over the period of consummation of the benefits of that contract.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

2.15 Other income

Interest income in arrears are recognised using the effective interest rate if they get is not questionable. Dividend income is recognised when the right to receive payment is established.

(a) Rental income

Rental income under operating leases are recognized straight-line basis over the lease term. Granted special offers are recognized as an integral part of the revenue from the lease. They are recognized in the income statement over the lease term straight-line basis as a reduction of revenue from the lease.

(b) Services related to the hiring and management services

Fees for services related to leasing and management services are recognized in the period in which the services were performed.

(c) Cost of inventories sold

Cost of sales is recognized in the amount of the total capitalized cost of inventories sold.

Construction costs associated with unsold products are capitalized on inventories as work in progress or finished goods, depending on the severity. In a situation where it is expected that inventories produced CPD Group will realize a loss is recognized immediately as an expense. Inventories related to units sold are recognized as cost of sales in the same period in which the sale occurred.

2.16 Costs

Operating expenses are fully charged to financial result of the Company except for those which relate to subsequent periods and in accordance with the principle of matching revenues and expenses are recognized as accrued expenses.

2.17 Interest costs

The cost of funding from interest income is recognised in the item "financing costs" in the financial result, based on the effective interest method.

2.18 Foreign currencies

The financial statements are presented in Polish zloty (PLN), which is the functional currency of the Company and presentation currency of the CPD Capital Group.

Transactions in foreign currencies are converted to PLN using exchange rates as at the date of the transaction or as at the valuation date if the positions are valued.

At the balance sheet date, assets and liabilities which are subject to valuation shall be converted into PLN at the exchange rate for the currency set medium on this day by the Polish National Bank.

Exchange differences arising from foreign currency transactions and the monetary valuation of assets and liabilities at the balance sheet date are presented as income net of financial costs.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

3 Financial risk management

3.1 Financial risk factors

The activities carried out by CPD S.A. puts on the Company many different types of financial risks: market risk (including: the risk of changes in exchange rates or cash flows as a result of changes in interest rates), credit risk and liquidity risk. Financial risks are associated with the following financial instruments: loans received and loans granted, trade and other receivables, cash and cash equivalents, trade and other payables. The accounting policy relating to the these financial instruments is described in note 2. The Company's approach to risk management focuses on the unpredictability of financial markets, in an effort to minimize potential adverse effects on the financial results of the Company.

(a) Market risk

(i) Risk of exchange rate changes

The company is exposed to the risk of fluctuation due to changes in balances in currencies other than PLN. This risk applies to loans, debts and receivables that are denominated in EUR. The exchange rate risk arises with respect to future transactions regarding financing received / granted or with respect to assets and liabilities already recognized denominated in a currency other than the functional currency of the entity.

As of 31 December 2021 and 31 December 2020, the Company did not have any significant balances denominated in foreign currencies and as a result was not significantly exposed to currency exchange risk.

	31 December 2021	31 December 2020
Loans in EUR	2 334	2 404
Assumed change in PLN/EUR exchange rate	+/-10%	+/-10%
The result of change	233	240
Tax shield	44	46
Effect on net profit/(loss)	189	195
Impact on equity	189	195

The Company's Management Board monitors the risk on a regular basis and acts accordingly. Hedging activities shall be subject to regular assessment in order to adapt to the current situation, interest rates and a specific risk appetite. Currently, the company is not involved in any hedging transaction, however this can be changed if, on the basis of the judgment of the Board, this will be required.

(b) Risk of changes in cash flows due to changes in interest rates

Interest rate risk is the risk to which the Company is exposed, resulting from changes in market interest rates. The Company is exposed to this risk with regards to loans granted and loans received (note 4, note 6 and note 11). Interest rate loans are based on variable interest rates what exposes the Company to the interest rate risk. The Company does not hedge the risk of interest rates. The Board constantly monitors fluctuations in interest rates and acts accordingly.

Trade and other receivables and payables are interest-free with a maturity of up to 1 year

	31 December 2021	31 December 2020
Loans received at variable interest rates	9 069	36 976
Assumed change in interest rate	+/-1pp	+/-1pp
The result of changes in interest cost	91	370
Tax shield	17	70
Effect on net profit/(loss)	-/+73	-/+300
Impact on equity	-/+73	-/+300

	31 December 2021	31 December 2020
Loans received at variable interest rates	9 069	36 976
Assumed change in interest rate	+/-2pp	+/-2pp
The result of changes in interest cost	181	740
Tax shield	34	141
Effect on net profit/(loss)	-/+147	-/+599
Impact on equity	-/+147	-/+599

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

3.1 Financial risk factors (continued)

(c) Credit risk

Credit risk arises in case of cash, bank deposits, trade receivables and other receivables - which includes outstanding receivables.

Cash is deposited with banks with high credibility rating (ING, PEKAO SA, Pekao Investment Banking, mBank). With respect to trade and other receivables, the Company has procedures in place to assess the creditworthiness of its customers.

(d) Liquidity risk

Liquidity risk is the risk that arises when the payment periods of assets and liabilities do not coincide. This condition potentially increases profitability, but also increases the risk of loss. CPD has procedures in place to minimize such losses by maintaining adequate cash levels and monitoring and forecasting cash flows on an ongoing basis. The Company has sufficient current assets to pay all liabilities in a timely manner. The Company's liquidity levels are monitored by management on an ongoing basis.

Translated with www.DeepL.com/Translator (free version)

As at 31 December 2021	Within 1 year	1 - 5 years	More than 5 years
Borrowings	9 069	0	0
Trade payables and other payables	224	0	0
	9 293	0	0

As at 31 December 2020	Within 1 year	1 - 5 years	More than 5 years
Borrowings	4 903	32 073	0
Trade payables and other payables	249	0	0
	5 152	32 073	0

3.2 Capital management

The company's objective in managing capital is to safeguard the Company's ability to continue its operations, to maximize the returns for shareholders and other interested parties, as well as maintain an optimal capital structure in order to reduce its cost.

In order to maintain or adjust the capital structure, the company may change the amount of dividends declared, acquire and redeem treasury shares, issue new shares or sell assets to reduce its debt.

The gearing ratio is calculated as net debt divided by net equity position. Net debt is calculated as borrowings (including current and non-current borrowings), increased by trade and other payables less cash and cash equivalents. Net equity position is calculated as a sum of equity and net debt.

Given the current global market situation of the Company's strategy is to maintain a low gearing ratio of financial structure so that the target does not exceed 20%

	31 December 2021	**31 December 2020**
Loans received	9 069	36 976
Trade and other payables	224	249
Less cash and cash equivalents	-64 384	-15 529
Net debt	**-55 091**	**21 696**
Equity	**130 268**	**202 808**
Net position	**75 177**	**224 504**
Gearing ratio	**-73%**	**10%**

The gearing ratio as of 31 December 2021 indicated a negative value as the cash held by CPD at the balance sheet date exceeded the Company's liabilities.

3.3 Significant estimates

(a) Balance sheet valuation of shares in subsidiaries and jointly controlled entities as well as loans granted to subsidiaries

(i) As at the balance sheet date, the Company analysed indications of impairment of shares in subsidiaries and jointly controlled entities by comparing the book value of the shares to their recoverable amount. The recoverable amount is the higher of the fair value of the assets, less costs to sell, or the value in use. In the Company's opinion, there is no reason to believe that the value in use significantly deviated from the fair value as at the balance sheet date. As a result, the analysis of reasons for impairment of shares was based on the fair value.

In the case of shares in subsidiaries and jointly-controlled entities, their fair value was estimated on the basis of net assets of these companies representing an approximation of the expected future cash flows available to the shareholders from the shares held. The key element having a decisive influence on the value of estimated cash flows is the fair value of real estate owned by subsidiaries and jointly controlled companies.

Properties held by CPD's subsidiaries and jointly controlled companies are measured at fair value using the following valuation methods:
- investment properties held for sale - valued at the lower of their carrying amount or fair value less costs to sell;
- undeveloped land and tenement houses with apartments - valued using the comparative method;
- investment property with substantial rental income (office buildings located in Warsaw) - valued using the income approach
- investment property located in Warsaw, in the Mokotów district, which in the future is intended for residential and commercial development - valued using the residual method
- investment property located in Wolbórz - valued using the comparative method.

The Company performs an analysis of indications that its shares are impaired. The determination of the level of the impairment loss on the shares as of December 31, 2021 in each company was performed in accordance with the approach described above and was the same as the approach adopted as of 31 December 2020. As of 31 December 2021, the net value of shares in subsidiaries Celtic Investments and Lakia Enterprises was zero and unchanged from the same period in the prior year. The value of the shares in the subsidiary Challange Eighteen was not subject to write-down at year-end 2020. In 2021, the Company identified indications for an impairment loss, which was created in the amount of PLN 1,566 thousand. In 2021, the Company acquired new shares in Antigo Investments. As at the end of 2021, shares in the company were partially written-down by PLN 15,026 thousand. No evidence of impairment of Ursa Sky Smart City shares was found. Shares in Ursus Development and IMES Poland were 100% written-down both as at 31 December 2021 and 31 December 2020.
Detailed information on shares in subsidiaries and jointly controlled entities is presented in Note 5.

(ii) At the same time as at the balance sheet date, the Company performs a valuation of receivables from loans granted to subsidiaries.

The fair value of loans was estimated as future cash flows from expected repayments of interest and loan principle discounted with the risk-free rate plus a credit risk margin.

Cash flows:

Each loan is repaid in a single payment and in full - at the maturity date.

Future cash flows include: repayment of the loan principal and interest amount.

Future interest consists of interest accrued through December 31, 2021 and interest that will accrue from December 31, 2021 to the maturity date of the loan.

Interest after December 31, 2021 was estimated at forward rates (based on the current term structure of the interest rate curve).

The variable rate is assumed to be revalued on the first day of the calendar quarter (in line with loan agreements).

Discount rate:

The discount rate for a given loan consists of a risk-free rate and a credit margin (credit risk premium).

The risk-free rate was calculated on the basis of market quotations of the interbank market rates - WIBOR / FRA / IRS, valid as of the date of the valuation.

Due to the lack of other sources of external financing in the CPD group, it is necessary to estimate the current credit margin.

The credit margin (credit risk premium) was estimated as an implied credit margin on interest on CPD SA bonds issued in 2015.

3.3 Significant estimates (continued)

(b) Income tax

CPD SA is an income tax payer in Poland. The CPD Group recognizes liabilities for anticipated tax issues based on an estimate of whether additional tax will be required. If the final tax settlements differ from the amounts initially recognized, the differences affect current and deferred tax assets and liabilities in the period in which the final tax determination is made.
Deferred tax assets are recognized only when it is probable that future taxable income will be available against which temporary differences or tax losses can be utilized.
In addition, in light of the applicable provisions of the General Anti-Abuse Clause ("GAAR"), which is intended to prevent the creation and use of artificial legal structures created in order to avoid the payment of tax in Poland, the Management Board performed a comprehensive analysis of the tax position of the Group entities with respect to the identification and assessment of transactions and operations that could potentially be subject to the provisions of GAAR and considered the impact on these financial statements. Management believes that these risks have been properly reflected in these financial statements; however, there is an inherent uncertainty in the Company's interpretation of tax laws that may affect the realizability of deferred tax assets in future periods and the payment of additional tax for past periods.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

4 Long-term receivables

	31/12/2021	31/12/2020
Long-term loans to related parties (note 23), including:		
- loan	63 073	119 168
- result from revaluation to fair value	(25 416)	(34 867)
	37 657	**84 301**

Details of the loans granted to related parties as of 31 December 2021

Related party	Agreement date	Currency of the loan	Fair value of loan	Interest Rate	Margin	Maturity
Belise Investments	2014	PLN	9 914	3M WIBOR	1,55%	on demand, no later than 24.09.2024
Elara Investments	2013	PLN	1 074	3M WIBOR	1,55%	on demand, no later than 24.01.2023
Celtic Asset Management	2015	PLN	459	3M WIBOR	1,55%	on demand, no later than 12.02.2025
Lakia Enterprises Limited	2012	PLN	4 031	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	2014	PLN	7 143	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	2015	PLN	15 036	3M WIBOR	1,55%	on demand
			37 657			

Details of the loans granted to related parties as of 31 December 2020

Related party	Agreement date	Currency of the loan	Fair value of loan	Interest Rate	Margin	Maturity
Belise Investments	2012	PLN	13 904	3M WIBOR	1,55%	on demand
Belise Investments	2014	PLN	3 603	3M WIBOR	1,55%	on demand
Celtic Asset Management	2015	PLN	535	3M WIBOR	1,55%	on demand
Challange Eighteen	2012	PLN	29 145	3M WIBOR	1,55%	on demand
Challange Eighteen	2013	PLN	6 165	3M WIBOR	1,55%	on demand
Elara Investments	2012	PLN	1 547	3M WIBOR	1,55%	on demand
HUB Developments	2012	PLN	1 701	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	2012	PLN	4 691	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	2014	PLN	7 419	3M WIBOR	1,55%	on demand
Lakia Enterprises Limited	2015	PLN	15 591	3M WIBOR	1,55%	on demand
			84 301			

In accordance with the intention of the Board the loans will be repaid over a period of 3 to 5 years. The maximum value of the credit risk associated with the loans is equal to their carrying amount. Loans are not secured.

Change in the impairment of loans granted classified as long-term loans and short-term loans (note 6):

Accumulated allowance for loans impairment as at 31.12.2019	**75 692**
Fair value revaluation impact for 2020	-12 987
Accumulated allowance for loans impairment as at 31.12.2020	**62 705**
Fair value revaluation impact for 2021	-9 847
Accumulated allowance for loans impairment as at 31.12.2021	**52 858**

The accounting policy on loans valuation is described in note 3.3.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

5 Shares in subsidiaries and jointly controlled entities

Name	Country	Share	31/12/2021	31/12/2020
Lakia Enterprises Ltd	Cyprus	100%	105 000	105 000
Impairment			(105 000)	(105 000)
Celtic Investments Ltd	Cyprus	100%	48 000	48 000
Impairment			(48 000)	(48 000)
Celtic Asset Management (*)	Poland	100%	0	0
Challange Eighteen sp. z o.o.	Poland	100%	5 032	5 032
Impairment			(1 566)	0
Imes Poland sp. z o.o.	Poland	99,99%	23 769	23 769
Impairment			(23 769)	(23 766)
Ursa Sky Smart City	Poland	49%	14 939	30 008
Antigo Investments	Poland	100%	16 614	0
Impairment			(15 026)	0
Ursus Development	Poland	100%	5	5
Impairment			(5)	(5)
			19 993	**35 043**

(*) The value of shares in Celtic Asset Management is 1 PLN.

The accounting policy and additional information on impairment of shares in subsidiaries are described in note 3.3.

On 25 June 2020 CPD S.A. (as the seller) and its subsidiary Imes Poland sp. z o.o. (as the buyer) concluded a preliminary agreement on sale of shares in Imes Poland Sp. z o.o. in order to redeem them. The selling price agreed by the parties amounted to PLN 20 370 thousand. Following the transaction CPD S.A. will hold 0.01% of shares in Imes Poland and the remaining shares are going to be held by Imes Poland as treasury shares, however, in accordance with the binding regulations Imes Poland is not entitled to exercise voting rights attached to its own shares, hence CPD S.A. will continue to hold 100% of votes at the General Meeting of Shareholders of Imes Poland.

On 16 June 2020, Ursa Sky Smart City spółka z ograniczoną odpowiedzialnością spółka komandytowa, in which CPD S.A. is a limited partner, was registered in the National Court Register. The increase in the value of the shares results from the contribution made by CPD S.A. to the limited partnership.

On 7 August 2020, the company Ursus Development sp. z o.o., in which CPD S.A. is the sole shareholder, was registered in the National Court Register. The increase in the value of shares results from the contribution made by CPD S.A. to cover the share capital. As of 31 December 2020, the shares in Ursus Development were covered with impairment allowance.

On 29 April 2021, the Company acquired, from its related party Lakia Enterprises Ltd, 100% of shares in another entity of the CPD Group, Antigo Investments sp. z o.o. for the price of PLN 2 000. On the same day, the capital of Antigo Investments sp. z o.o. was increased with a cash contribution made by CPD S.A. in the amount of PLN 16,612 thousand.

On 9 June 2021, the Company received a refund of the contribution made to Ursa Sky Smart City in the amount of PLN 15,069 thousand.

On 1 October 2021, 5 shares (0.01%) in Imes Poland were sold for PLN 100. The remaining shares in Imes Poland were sold on 1 April 2022, as a result of execution of the preliminary sale agreement concluded on 25 June 2020. The sale price was settled between the parties on 1 October 2021 by a set-off of their mutual accounts receivable.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

6 Trade receivables and other receivables

	31/12/2021	31/12/2020
Short-term loans (related party), including:	20 262	94 395
- loan	47 698	122 227
- result from revaluation to fair value	(27 437)	(27 832)
Other receivables from related parties	1 985	21 343
Other receivables from other parties	23	48
Prepayments	6	3
Short-term receivables	**22 276**	**115 789**

Details of the loans granted to related parties as of 31 December 2021

Related party	Agreement date	Currency	Fair value of the loan	Interest Rate	Margin	Maturity
Antigo Investments	2012	PLN	2 185	3M WIBOR	2,00%	on demand, no later than 16.10.2022
HUB Developments	2012	PLN	2 053	3M WIBOR	1,55%	on demand, no later than 01.05.2022
Belise Investments	2012	PLN	14 997	3M WIBOR	1,55%	on demand, no later than 01.05.2022
Elara Investments	2012	PLN	1 027	3M WIBOR	1,55%	on demand, no later than 01.05.2022
			20 262			

Details of the loans granted to related parties as of 31 December 2020

Related party	Agreement date	Currency	Fair value of the loan	Interest Rate	Margin	Maturity
Ursus Development	2020	PLN	94 395	3M WIBOR	2,00%	29.09.2021

7 Cash and equivalents

	31/12/2021	31/12/2020
Cash in bank accounts	64 384	15 529
	64 384	**15 529**

Cash and cash equivalents include cash in bank accounts in ING, PEKAO SA, Pekao Investment Banking and mBank.
The maximum value of the credit risk associated with cash equals to their carrying amount.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

8 Share capital

	Number of shares		Value of shares	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Ordinary shares AA series	26 371	26 371	2 637	2 637

As at 31 December 2020 and 31 December 2021 the share capital amounts to PLN 2,637 thousand.

On 3 August 2021, the Company acquired 8,705,110 (eight million seven hundred and five thousand one hundred and ten) treasury shares for redemption, i.e. 8,705,110 (eight million seven hundred and five thousand one hundred and ten) series AA ordinary bearer shares with the nominal value of PLN 0.10 each, corresponding to 33.01% of the Company's share capital and entitling to 8. 705,110 (eight million seven hundred and five thousand one hundred and ten) votes at the Company's General Meeting, representing 33.01% of the total number of votes at the Company's General Meeting ("Shares"), at the price of PLN 19.71 per purchased Share. Prior to the Settlement of the Call to Subscribe, the Company already held 8,699,836 (eight million six hundred and ninety-nine thousand eight hundred and thirty-six) treasury shares in the Company, representing 32.99% of the total number of the Company's shares, carrying 8,699,836 (eight million six hundred and ninety-nine thousand eight hundred and thirty-six) votes at the Company's General Meeting, which represents 32.99% of the total number of votes at the Company's General Meeting. As a result of shares purchase, the Company owns in total 17,404,946 (seventeen million four hundred and four thousand nine hundred and forty six) own shares of the Company, representing 66.00% of shares in the Company's share capital and entitling to 17,404. 946 (seventeen million four hundred and four thousand nine hundred and forty six) votes at the Company's General Meeting, which represents 66.00% of the total number of votes at the Company's General Meeting, with the reservation that, pursuant to Art. 364.2 of the Commercial Companies Code, the Company may not exercise any shareholding rights attached to the Company's own shares, including voting rights, except for the right to sell them or perform actions aiming at preserving such rights.

All shares issued by the Company to date are ordinary bearer shares. The Company's Articles of Association do not grant any special rights to the Company's shares, including voting privileges and preferences with respect to the appointment of members of the Company's bodies. The Company's shareholders do not hold shares conferring special control rights.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

8 Share capital (continued)

Shareholding structure of CPD S.A. determined as of 31 December 2021:

Party	Country	number of shares	capital %	voting rights %
Meduvo Holding	Cyprus	2 133 604	8,1%	23,8%
Furseka Trading and Investments Ltd	Cyprus	2 063 234	7,8%	23,0%
Shareholders holding below 5% stake		4 769 347	18,1%	53,2%
		8 966 185	34,0%	100,0%
Treasury shares for redemption		17 404 946	66,0%	0,0%
Total number of shares		26 371 131	100,0%	100,0%

* The above shareholder's structure is based on own data of the Company.

9 Reserve capital

	31/12/2021	31/12/2020
Reserve capital	987	987
	987	**987**

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

10 Trade payables and other payables

	31/12/2021	31/12/2020
Accrued expenses, including:	89	93
- accrual for audit	89	93
Trade payables	12	21
Tax payables	53	87
Other payables	69	49
	224	**249**

Trade liabilities are non-interest-bearing, and their payment dates fall during the year.

The estimated fair value of trade payables and other liabilities is a discounted amount of expected future outflows that CPD S.A. is expected to pay and approximately corresponds to their book value.

11 Borrowings

	31/12/2021	31/12/2020
Long-term loans from related parties	0	32 073
Short-term loans from related parties	9 069	4 903
	9 069	**36 976**

Loan liabilities as at 31 December 2021 and 31 December 2020 relate to loans from subsidiaries: from a subsidiary Lakia Enterprises (loan interest rate is 3M Wibor + margin 0.50%), a loan from a subsidiary Lakia Investments (loan interest rate is 3M Wibor + margin 1.55%) and a loan from a subsidiary Robin Investments (loan interest rate is 3M Wibor + margin 1.55%). As at 31 December 2021 the balance of the loan from Lakia Enterprises is PLN 3,763 thousand (principal: PLN 1,148 thousand, interest: PLN 2,615 thousand), during the period PLN 5,943 thousand of the principal was repaid. The balance of the loan from Lakia Investments amounts to PLN 3,479 thousand (principal: PLN 2,694 thousand, interest: PLN 785 thousand), during the period PLN 1,472 thousand of principal was repaid; the balance of the loan from Robin Investments amounts to PLN 1,827 thousand (principal: PLN 1,600 thousand, interest: PLN 227 thousand).
In addition, during the year the Company settled in full the loan from the subsidiary Imes Poland Sp. z o.o. in the amount of PLN 20,370 thousand (loan interest rate was 3M Wibor + margin 1.55%).

As of 31 December 2021, all loans are classified as short-term.

The loans are not secured.

For the period ended 31 December 2021	
Opening balance	**36 976**
Loans received	**0**
Interests accrued	**376**
Repayments:	**(28 284)**
- capital repayments	(7 415)
- set-off	(20 370)
- interests repayments	(50)
- redemption	(449)
Closing balance	**9 068**

For the period ended 31 December 2020	
Opening balance	**17 030**
Loans received	**20 441**
Interests accrued	**472**
Repayments:	**(967)**
- capital repayments	(885)
- interests repayments	(82)
Closing balance	**36 976**

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

12 Deferred income tax

	31/12/2021	31/12/2020
Deferred tax liability		
Interest accrued on loans granted	5 618	11 487
Exchange rate differences	45	11
As of 31 December - before offset	**5 663**	**11 498**
Offset	(719)	(869)
As of 31 December - after offset	**4 944**	**10 629**

	31/12/2021	31/12/2020
Deferred tax asset		
Other accruals	17	29
Provisions for unused vacations	13	9
Interests accrued on loans received	689	712
Tax losses	0	119
As of 31 December - before offset	**719**	**869**
Offset	(719)	(869)
As of 31 December - after offset	**0**	**0**
Deferred tax liability	**4 944**	**10 629**

Unrecognized deferred tax assets:

The following are temporary differences for which no deferred tax asset was recognized:

	31/12/2021	31/12/2020
Impairment of investments in related parties	32 223	29 071
Impairment of loans granted to related parties	10 043	11 914
Unrecognized deferred tax assets	**42 267**	**40 985**

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

13 Revenue from sales

	12 months ended 31/12/2021	12 months ended 31/12/2020
Proceeds from sales:		
- domestic sales	161	157
	161	**157**

14 Administrative costs

	12 months ended 31/12/2021	12 months ended 31/12/2020
Consulting services	567	430
Payroll costs	2 910	3 818
Non deductible VAT	162	134
Audit costs	150	150
Other costs	432	312
	4 221	**4 844**

15 Other operating income

	12 months ended 31/12/2021	12 months ended 31/12/2020
COVID-19 related state subsidies	0	54
	0	**54**

16 Other operating costs

	12 months ended 31/12/2021	12 months ended 31/12/2020
Other	2	79
	2	**79**

17 Result from revaluation of loans to fair value

	12 months ended 31/12/2021	12 months ended 31/12/2020
Result from revaluation of loans to fair value	11 865	15 707
	11 865	**15 707**

Effective 1 January 2018, the Company, for the purpose of measuring loans granted, applies IFRS 9 "Financial Instruments". The Company presents the cumulative effect of accrual of interest on loans granted and the effect of measurement of loans to fair value in one line of the statement of comprehensive income as the result of revaluation of loans to fair value.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

18 Financial income and expenses

	12 months ended 31/12/2021	12 months ended 31/12/2020
Interest income:	0	69
- Interest on deposits	0	69
- Other interest	0	0
Dividends received	106 612	125 087
Other financial income	1 454	899
Net exchange differences	7	297
Financial income	**108 072**	**126 352**

On 21 June 2021, the Extraordinary Meeting of Shareholders of Challange Eighteen Sp. z o.o., a subsidiary of CPD S.A., resolved to pay a dividend of PLN 99,100,000.00. The remaining dividend income in 2021 in the amount of PLN 7,511,531.48 comes from payments from the co-subsidiary Ursa Sky Smart City. Dividends received in 2020 relate to distributions from the subsidiary Challange Eighteen Sp. z o.o.

	12 months ended 31/12/2021	12 months ended 31/12/2020
Interest costs:	376	472
- Interest from related parties (Note 23)	376	472
Impairment of investments	16 595	5
Net exchange differences	0	0
Financial costs	**16 970**	**477**

19 Income tax

	12 months ended 31/12/2021	12 months ended 31/12/2020
Current income tax	5 552	0
Deferred income tax	(5 685)	(273)
	(133)	**(273)**

20 Effective tax rate

	12 months ended 31/12/2021	12 months ended 31/12/2020
Profit (Loss) before taxes	**98 904**	**136 842**
Tax rate	19%	19%
Income tax rate 19%	**(18 792)**	**(26 000)**
Impairment value of loans receivable	1 871	2 468
Interest on merger with a subsidiary	(3 153)	(1)
Dividends received	20 256	23 766
Other	(49)	40
Tax	**133**	**273**

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

21 Cash flow from operating activities

	12 months ended 31/12/2021	12 months ended 31/12/2020
Profit/loss before tax	98 904	136 842
Adjustments for:		
– interest costs	376	472
– income from interest redemption	(449)	0
– impairment of investments in subsidiaries	16 595	84
– result from revaluation of loans to fair value	(11 865)	(15 707)
Changes in working capital:		
– changes in receivables	19 380	(41)
– changes in receivables, as a result of set-off	(20 370)	0
– change in trade liabilities and other	(25)	46
	102 546	**121 696**

22 Commitments and guarantees secured by the assets of the unit

In 2021 and 2020, CPD Group companies - subsidiary Belise Investments Sp. z o.o. as borrower and CPD S.A. as guarantor - were parties to a loan agreement with Santander Bank Polska. CPD S.A. is the guarantor of due and payable payments under the above credit facility and has subjected itself to execution as to its payment obligations to Santander Bank Polska and/or the borrower.

In 2021, the Company assumed the debt of the jointly controlled entity Ursa Sky Smart City. The loan was repaid by the jointly controlled entity in January 2022, releasing the Company from the contingent liability on this account.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

23 Related party transactions

CPD S.A. has no direct parent company or ultimate parent company. Meduvo Holding and Furseka Trading are significant investors with significant influence on the Company.

CPD S.A. also enters into transactions with key management personnel, subsidiaries and other related parties (related through members of the Supervisory Board) controlled by the Company's key management personnel.

These financial statements include the following balances resulting from transactions with related parties:

a) Transactions with key management personnel	12 months ended 31/12/2021	12 months ended 31/12/2020
Remuneration of members of the Board of Directors	1 768	2 300
Remuneration of members of the Supervisory Board	468	552

b) Transactions with subsidiaries		12 months ended 31/12/2021	12 months ended 31/12/2020
Revenues			
Ursa Park Smart City	jointly controlled entity	94	0
5/92 Gaston Investments	subsidiary	0	121
6/150 Gaston Investments	subsidiary	0	8
7/120 Gaston Investments	subsidiary	0	8
12/132 Gaston Investments	subsidiary	0	109
13/155 Gaston Investments	subsidiary	0	104
16/88 Gaston Investments	subsidiary	5	19
18 Gaston Investments	subsidiary	6	26
19/97 Gaston Investments	subsidiary	0	7
20/140 Gaston Investments	subsidiary	0	6
Antigo Investments	subsidiary	65	55
Belise Investments	subsidiary	1 215	1 209
Celtic Asset Management	subsidiary	18	26
Celtic Investments Ltd	subsidiary	4	420
Challange Eighteen	subsidiary	39	7
Elara Investments	subsidiary	58	76
Gaston Investments	subsidiary	241	273
Hub Developments	subsidiary	44	59
Lakia Enterprises Ltd	subsidiary	464	628
Lakia Investments	subsidiary	24	24
Mandy Investments	subsidiary	301	403
Ursus Development	subsidiary	605	187
IMES Poland	subsidiary	449	0

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

23 Related party transactions (continued)

	12 months ended 31/12/2021	12 months ended 31/12/2020
Costs		
Lakia Investments	58	106
Lakia Enterprises Ltd	22	97
Gaston Investments	7	6
Imes Poland	268	310
Robin Investments	28	38

	31/12/2021	31/12/2020
Liabilities		
Lakia Enterprises Ltd	3 763	9 674
Lakia Investments	3 479	4 903
Robin Investments	1 827	1 799
Imes Poland	0	20 601
Gaston Investments	9	2

	31/12/2021	31/12/2020
Receivables		
Ursa Sky Smart City	94	0
Antigo Investments	2 185	0
Belise Investments	26 750	18 430
Celtic Asset Management	459	535
Challange Eighteen	0	35 310
Elara Investments	2 100	1 547
Gaston Investments	48	42
Hub Developments	2 053	1 701
Lakia Enterprises Ltd	26 210	27 701
Lakia Investments	2	7
Ursus Development	0	94 395
Imes Poland	0	20 370

c) Transactions with other related party	**31/12/2021**	**31/12/2020**
Costs		
Laxey Partners	0	16
Kancelaria Radców Prawnych Oleś&Rodzynkiewicz sp. komandytowa	119	101

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

24 Fair values

The company measures loans granted to subsidiaries at fair value at each balance sheet date (level 3 of the fair value hierarchy both at the end of 2020 and 2021). Details of the valuation techniques are provided in note 3.3. The analysis of the sensitivity of the valuation to the change of the key unobservable valuation parameter, i.e. the credit margin, is presented below.

credit margin level	fair value as at 31 December 2021	change in value	percentage change in value
+2 pp	54 994	(2 924)	-5%
+1 pp	56 422	(1 497)	-3%
credit margin level applied in the calculation	57 918		
-1 pp	59 490	1 571	3%
-2 pp	61 139	3 220	6%

For financial assets and liabilities measured at amortized cost, their fair value approximates fair value.

25 Earnings (loss) per share

Earnings per common share are computed by dividing the profit (loss) for the year by the weighted average number of common shares outstanding during the year.

Earnings (loss) and shares used in the calculation of earnings (loss) per share are presented below:

	12 months ended 31/12/2021	12 months ended 31/12/2020
Profit attributable to the shareholders	99 037	137 115
Weighted average number of ordinary shares (in '000)	14 142	20 119
Earnings per share	**7,00**	**6,82**
Diluted profit attributable to shareholders	99 037	137 115
Weighted average number of ordinary shares (in '000)	14 142	20 119
Diluted earnings per share	**7,00**	**6,82**

For the purpose of calculating diluted earnings per share, profit or loss attributable to ordinary equity holders of the parent entity and the weighted average number of shares outstanding are adjusted for the effect of all dilutive potential ordinary shares.

26 Operating 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.

27 Employment

As of the 31 December 2021, the Company had 3 employees. As of 31 December 2020, the Company had 4 employees.

(All amounts in PLN thousands unless otherwise stated)

Notes to the financial statements

28 Loans and other benefits granted to members of the Management and Supervisory Board

The Company did not make any loans or enter into any other transactions with members of the Board of Directors or supervisory bodies in 2021 and 2020, except as disclosed in Note 23.

29 Auditor's remuneration

	12 months ended 31/12/2021	12 months ended 31/12/2020
Remuneration paid or payable to the entity authorized to audit financial statements for the year	150	150

30 Events after the balance sheet date

On 15 February 2022, a resolution was adopted on dissolution of the subsidiary Challange Eighteen Sp. z o.o. and opening of its liquidation process.

On 14 March 2022, amendments to the Articles of Association and changes to the Company's share capital were registered by the court in connection with the content of resolutions adopted by the Extraordinary General Meeting of the Company on 18 October 2021 on redemption of treasury shares. As a result, the Company's share capital currently amounts to PLN 896,618.50 (in words: eight hundred and ninety-six thousand, six hundred and eighteen and fifty) and is divided into 8,966,185 (in words: eight million, nine hundred and sixty-six thousand, one hundred and eighty-five) series AA shares with a nominal value of PLN 0.10 each, entitling to exercise 8,966,185 (in words: eight million, nine hundred and sixty-six thousand, one hundred and eighty-five) votes in total.

These financial statements were approved by the Company's Management Board on 27 April 2022 and signed on its behalf by:

Colin Kingsnorth
Chairman of the Board

Elżbieta Donata Wiczkowska
Board Member

John Purcell
Board Member

Iwona Makarewicz
Board Member

Marzena Kaczmarska
The person responsible for accounting records