CPD S.A.

Consolidated financial statements

for the year ended 31 December 2022

Consolidated financial statements

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(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of comprehensive income

	Note	12 months ended 31 December 2022	12 months ended 31 December 2021
Revenue	15	748	1 433
Cost of sales	16	2 616	326
GROSS PROFIT		**3 364**	**1 759**
Administrative expenses - property related	17	(652)	(745)
Administrative expenses - other	19	(10 534)	(10 094)
Selling and marketing expenses		(121)	(303)
Net gain (loss) on sale of investment property		382	827
Other income	18	335	1 586
Net gain from fair value adjustments of investment property	5	(199)	2 639
Post-tax share of the profit or loss of the joint-ventures accounted for using the equity method		17 495	27 005
Receivables valuation allowances		7 409	859
Net profit (loss) from assets held for sale valuation		0	293
Net gain (loss) on sale of subsidiaries		0	(40)
OPERATING PROFIT		**17 479**	**23 786**
Finance income	20	1 002	358
Finance costs	20	(891)	(668)
PROFIT BEFORE INCOME TAX		**17 590**	**23 476**
Income tax expense	21	(5 660)	968
PROFIT FROM CONTINUED OPERATIONS		**11 930**	**24 444**
Result of discontinued operations	27	(25 220)	6 729
PROFIT (LOSS) FOR THE YEAR		**(13 290)**	**31 173**
- attributable to the Group equity holders		*(13 290)*	*31 173*
- attributable to non controlling interest		*0*	*0*
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss upon condition		(234)	19
Other comprehensive income not to be reclassified to profit nor loss		0	0
Other comprehensive income		**(234)**	**19**
TOTAL COMPREHENSIVE INCOME		**(13 524)**	**31 192**
- attributable to the Group equity holders		*(13 524)*	*31 192*
- attributable to non controlling interest		*0*	*0*
BASIC EARNINGS PER SHARE (PLN)	29	**(1,61)**	**2,20**
- from continued operations		*1,45*	*1,73*
- from discontinued operations		*(3,06)*	*0,47*
DILUTED EARNINGS PER SHARE (PLN)	29	**(1,61)**	**2,20**
- from continued operations		*1,45*	*1,73*
- from discontinued operations		*(3,06)*	*0,47*

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position

		As at	
	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Investment properties	5	1 910	167 667
Property, plant and equipment		0	103
Investments in joint ventures accounted for using the equity method	9	3 748	12 795
Long-term financial investments		0	595
Non-current receivables	6	0	494
Non-current assets		**5 658**	**181 654**
Current assets			
Inventory	7	6 631	3 887
Trade and other receivables	6	2 899	3 264
Cash and cash equivalents	8	76 293	81 773
Current assets excluding assets held for sale		**85 823**	**88 924**
Assets held for sale	26	24 045	4 744
Current assets		**109 868**	**93 668**
Total assets		**115 526**	**275 322**

(All amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position - cont.

	Note	As at 31 December 2022	As at 31 December 2021
EQUITY			
Capital and reserves attributable to the Group equity holders			
Share capital	10	897	2 637
Own shares for redemption		(50 010)	(288 973)
Other reserves		987	987
Embedded element at inception date	12	(27 909)	(27 909)
Translation reserve		(6 477)	(6 243)
Retained earnings/(accumulated losses)		163 641	464 164
Capital and reserves attributable to the Group equity holders		**81 129**	**144 663**
Non-controlling interest		0	0
Total equity		**81 129**	**144 663**
LIABILITIES			
Non-current liabilities			
Trade and other payables	11	0	2 629
Borrowings, including leases	12	187	57 551
Deferred income tax liabilities	14	8 841	14 232
Non-current liabilities		**9 028**	**74 412**
Current liabilities			
Trade and other payables	11	23 539	16 694
Borrowings, including leases	12	0	37 309
Current liabilities excluding liabilities directly associated with assets held for sale		**23 539**	**54 003**
Liabilities directly associated with assets held for sale	26	1 830	2 244
Current liabilities		**25 369**	**56 247**
Total liabilities		**34 397**	**130 659**
Total equity and liabilities		**115 526**	**275 322**

(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 2022		**2 637**	**(27 909)**	**(288 973)**	**(6 243)**	**987**	**464 164**	**144 663**	**0**	**144 663**
Share capital reduction		(1 740)	0	288 973	0	0	(287 233)	0	0	0
Own shares acquired for redemption		0	0	(50 010)	0	0	0	(50 010)	0	(50 010)
Profit of the year		0	0	0	0	0	(13 290)	(13 290)	0	(13 290)
Currency translation differences		0	0	0	(234)	0	0	(234)	0	(234)
Total comprehensive income		0	0	0	(234)	0	(13 290)	(13 524)	0	(13 524)
Total changes in equity		(1 740)	0	238 963	(234)	0	(300 523)	(63 534)	0	(63 534)
Balance at 31 December 2022		**897**	**(27 909)**	**(50 010)**	**(6 477)**	**987**	**163 641**	**81 129**	**0**	**81 129**
Balance at 1 January 2021		**2 637**	**(27 909)**	**(117 396)**	**(6 262)**	**987**	**432 991**	**285 048**	**0**	**285 048**
Acquisition of own shares		0	0	(171 577)	0	0	0	(171 577)	0	(171 577)
Profit for 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**

(All amounts in PLN thousand unless otherwise stated)

Consolidated cash flow statement

	Note	12 months ended 31 December 2022	12 months ended 31 December 2021
Cash flows from operating activities			
Profit before income tax		**17 590**	**23 476**
Loss from discontinued operations before tax		(31 136)	8 307
Total operating activity adjustments		14 718	(28 988)
Basic cash generated from (used in) operations	23	1 172	2 795
Interest paid		(1 954)	(2 076)
Income tax paid		(5 135)	(5 730)
Net cash used in operating activities		**(5 917)**	**(5 011)**
Cash flows from investing activities			
Capital expenditure on investment property		(3 621)	(708)
Purchases of property, plant and equipment		0	(13)
Proceeds from sale of investment properties		106 309	76 311
Cash of joint venture transformed into subsidiary		0	143
Proceeds from withdrawal of contributions in joint ventures		14 938	15 069
Received dividends and profits in joint ventures		11 604	9 333
Interest received		911	0
Net cash generated from investing activities		**130 141**	**100 135**
Cash flows from financing activities			
Acquisition of derivatives		0	(580)
Disposal of derivatives		832	0
Repayments of borrowings		(80 914)	(11 225)
Share redemption		(50 010)	(171 577)
Net cash used in financing activities		**(130 092)**	**(183 382)**
Total cash flow before exchange differences		(5 868)	(88 258)
Exchange differences		388	(115)
Net change in cash and cash equivalents		**(5 480)**	**(88 373)**
Cash and cash equivalents at beginning of the year		**81 773**	**170 146**
Cash and cash equivalents at end of the year		**76 293**	**81 773**

(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 : Poland

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.

These consolidated financial statements of CPD S.A. were prepared as at 31 December 2022 and for the period since 1 January 2022 till 31 December 2022, while comparative data are for the period since 1 January 2021 till 31 December 2021.

These consolidated financial statements are presented in Polish Zloty (PLN) rounded to full thousands.

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

<u>Management Board:</u>

Colin Kingsnorth	President of the Management Board
Elżbieta Donata Wiczkowska	Board Member
Iwona Makarewicz	Board Member
John Purcell	Board Member

(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.)

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
Emil Tomaszewski	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		1 713 330	19,11%	23,49%
Furseka Trading and Investments Ltd		1 655 857	18,47%	22,70%
QVT Fund LP		948 922	10,58%	13,01%
POP Investments Ltd		592 585	6,61%	8,12%
Familiar S.A.		406 396	4,53%	5,57%
Ursus Capital Ltd		417 380	4,66%	5,72%
Shareholders with stakes below 5%		1 559 124	17,39%	21,38%
		7 293 594	81,35%	100%
Own shares for redemption		1 672 591	18,65%	0%
Total		8 966 185	100%	100%

1.2. Information about Capital Group

As at balance sheet date CPD Group comprised CPD S.A. as a parent entity, 18 subsidiaries and 2 entities under common control.

On 31 January 2022 20/140 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k. has been cancelled from the entrepreneurs' register. Liquidations were opened for Challange Eighteen Sp. z o.o. on 22 February 2022 and for Ursus Development Sp. z o.o. on 29 July 2022.

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

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

1.2. Information about Capital Group (cont.)

	Name	Country	Shareholder	31 December 2022	31 December 2021
Subsidiaries					
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%
6	Hub Developments Ltd Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
7	Elara Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
8	Celtic Investments Limited	Cyprus	CPD S.A.	100%	100%
9	Gaston Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
10	Challange Eighteen Sp. z o.o. w likwidacji	Poland	CPD S.A.	100%	100%
11	Celtic Trade Park Kft	Hungary	Lakia Enterprises Limited	100%	100%
12	Ursus Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Antigo Investments Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
13	2/124 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Antigo Investments Sp. z o.o.	99%	99%
			Gaston Investments Sp. z o.o.	1%	1%
14	18 Gaston Investments Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Challange Eighteen Sp. z o.o.	99%	99%
			Antigo Investments Sp. z o.o.	1%	1%
15	20/140 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	Belise Investments Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
17	Antigo Investments Sp. z o.o.	Poland	CPD S.A.	100%	100%
18	Smart City Sp. z o.o.	Poland	Lakia Enterprises Limited	100%	100%
19	Ursus Development Sp. z o.o. w likwidacji	Poland	CPD S.A.	100%	100%
Entities under common control					
20	Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	Antigo Investments Sp. z o.o.	49%	49%
			Smart City Sp. z o.o.	1%	1%
21	Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	Poland	CPD S.A.	49%	49%
			Smart City Sp. z o.o.	1%	1%

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.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

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. 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. Particularly the CPD Management does not intend to liquidate the entity nor discontinue its business activity.

New and amended standards and interpretations which came into force in 2022:

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. The amendment clarifies that the production carried out as part of the tests of the fixed asset before the use of the fixed asset should be recognized as (1) inventory in accordance with IAS 2 and (2) revenue when it is sold (and not affect the value of the fixed asset). Testing of a fixed asset is an element of its cost, while the cost of production is recognized in the result at the moment of recognizing the income from the sale of the inventory created during testing.

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. The amendment clarifies that the costs of fulfilling onerous contracts include incremental costs (e.g. labour costs) and the allocated portion of other costs directly related to the cost of fulfilment, e.g. depreciation.

Amendments to **IFRS 3 Business Combinations** - issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022. References to the definition of liabilities contained in the conceptual framework and the definition of contingent liabilities from IAS 37 have been clarified.

Amendments to **IFRS 16 Leasing** - issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022.

In 2020, the IAS Council published simplifications for lessees receiving relief due to the COVID-19 pandemic. One of the conditions was that the reliefs would apply only to payments due by the end of June 2021. As a result of the change, this date was postponed to June 2022. The change is effective for annual periods beginning on April 1, 2021 or later, with the possibility of earlier application.

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

• IFRS 1: additional exemption for the determination of accumulated exchange differences on consolidation;

• IFRS 9: (1) in the 10% test to determine whether a modification should result in the removal of an obligation, only fees that are exchanged between the obligor and the creditor should be included; (2) it was clarified that fees incurred in the event of removal of the liability are recognized in the result, and in the event that the liability is not removed, they should be charged to the value of the liability;

• IFRS 16: from example 13, the issue of incentives from the lessor in the form of covering the costs of fit-outs incurred by the lessee, which raised interpretation doubts, was removed;

• IAS 41: the prohibition of including tax flows in the valuation of biological assets has been deleted.

The abovementioned standard amendments do not affect the consolidated financial statements of the Group significantly.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.1 Basis of preparation (cont.)

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 2023. 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.

The IFRS Council clarified the rules for classifying liabilities as long-term or short-term mainly in two aspects: it was clarified that the classification depends on the rights held by the entity as at the balance sheet date and management's intentions to accelerate or delay payment of the liability are not taken into account.

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.

The Board introduced a definition of an accounting estimate into the standard: Accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty.

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.

The IFRS Board clarified which information regarding the accounting policy applied by the entity is significant and requires disclosure in the financial statements. The Principles focus on tailoring disclosures to the individual circumstances of the entity. The Board warns against the use of standardized provisions copied from IFRS and expects that the basis of valuation of financial instruments will be considered as material information.

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. The Council introduced the principle that if as a result of a transaction both positive and negative temporary differences in the same amount arise, assets and a deferred tax liability should be recognized even if the transaction does not result from the merger and does not affect the accounting or tax result. This means the need to recognize deferred tax assets and provisions, e.g. when temporary differences in equal amounts occur in the case of leases (a separate temporary difference from the liability and right-of-use) or in the case of restoration liabilities. The principle that deferred tax assets and liabilities are offset if current tax assets and liabilities are offset has not been changed.

Amendments to **IFRS 16 Lease Liability in a Sale and Leaseback -** issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024. The amendment clarifies the requirements for the valuation of a lease liability arising from a sale and leaseback transaction. It is intended to prevent incorrect recognition of the result on the transaction in the part relating to the retained right of use in the event that lease payments are variable and do not depend on an index or rate.

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.

Additional notes and explanations to the consolidated financial statements

2.2 Consolidation (cont.)

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.

Entities under common control are consolidated using the property rights method.

2.3 Foreign currency translation

(a) Functional 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").

(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.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.4 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).

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.

2.5 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) 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).

Additional notes and explanations to the consolidated financial statements

2.6 Leases

For each contract 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.

2.7 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.

2.8 Goodwill

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

2.8 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.

2.9 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.

2.10 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.

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.

2.11 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.

(All amounts in PLN thousand unless otherwise stated)

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).

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

Additional notes and explanations to the consolidated financial statements

2.17 Income tax(cont.)

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.

2.18 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.

2.19 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.

2.20 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.

Additional notes and explanations to the consolidated financial statements

2.21 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.

2.22 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.

2.23 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.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

2.24 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 involved in any hedging transactions; however, this could change should the Management Board decide that the situation so requires.

	Year ended at 31 December 2022	Year ended at 2021
PLN valuation of debt denominated in foreign currencies	0	89 266
Assumed change in PLN/EUR exchange rate	+/-1%	+/-1%
FX gains/losses due to change in FX rate	0	893
Tax shield	0	170
Effect on net profit/(loss)	0	723
Effect on total equity	0	723

(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.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

3.1 Financial risk factors (cont.)

(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. 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 of the bank credit received by subsidiary Belise has been hedged with the CAP contract. As at the year end CPD Group does not use other interest rate hedges.

	Year ended at 31 December 2022	Year ended at 2021
Variable interest rate loans	0	86 797
Interest rate derivatives	0	-595
Cost of instruments dependent on variable interest rates	0	2 469
Assumed change in interest rates	+/-1pp	+/-1pp
Effect of the change on the cost	0	868
Tax shield	0	165
Effect on net profit/(loss)	0	703
Effect on total equity	0	703

(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, BNP Paribas).

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 2022 short-term liabilities amounted to PLN 23.539 thousand (including financial payables of PLN 0) and are lower than current assets which amount to PLN 85.823 thousand.

Some drop in cash was noted during 2022. Proceeds from disposal of investment properties and from the joint ventures allowed full repayment of the bank loans and next tranche of own shares acquisition.

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:

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

3.1 Financial risk factors (cont.)

As at 31.12.2022	Within 1 year	Over 1 up to 5 years	Over 5 years
Loans and leases	14	56	1 095
Trade payables and other payables	3 238	0	0
	3 252	56	1 095
As at 31.12.2021			
Loans and leases	102 259	1 647	26 577
Trade payables and other payables	6 458	2 629	0
	108 717	4 276	26 577

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

During the course of the global pandemics, the Group management assumed 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 2022 were generated by transactions from about a year ago with the payment terms split into instalments. It should be noted however that the Groups' development projects did not record any declines in sales and were completed as planned.

Moreover the COVID-19 pandemics supressed demand for the office investments.

In the Management Board's opinion the COVID-19 pandemics caused slow down in realised office properties disposals and most likely drop in prices achieved. But it is difficult to quantify those impacts.

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.

(All amounts in PLN thousand unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

3.2 Financing structure management (cont.)

The long-term CPD Group strategy is to maintain the financing structure ratio at a level below 40%, however as at the end of 2022 repayment of all the bank debt caused, in conjunction with relatively high cash balances, the value of the coefficient to drop below nil.

	31 December 2022	31 December 2021
Total borrowings, including leasing	2 017	97 104
Trade payables and other payables	23 539	19 323
Less: cash and cash equivalents	(76 293)	(81 773)
Net debt	**(50 737)**	**34 654**
Equity	81 129	144 663
Total capital	**30 392**	**179 317**
Financing structure ratio	**-166,9%**	**19,3%**

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*

Belise Investments Sp. z o.o., the Group subsidiary, used IRS and CAP contracts as interest rate hedging.

Both instruments were 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 the end of 2022 the Group does not use any derivatives.

4.2 *Accounting treatment of joint ventures*

During 2014 - 2021 based on investment agreement signed by CPD S.A. and its subsidiaries (Smart City Spółka z ograniczoną odpowiedzialnością Sp.k., Lakia Enterprises Ltd), of the one part, and third parties i.e. Unidevelopment S.A. and Unibep S.A. the Group participated in the joint venture consisting of 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.

During 2017 - 2022 based on investment agreement signed by CPD S.A. and its subsidiaries (Smart City Spółka z ograniczoną odpowiedzialnością Sp.k., Challange Eighteen Sp. z o.o., 4/113 Gaston Investments z ograniczoną odpowiedzialnością Sp.k., Lakia Enterprises Ltd), of the one part, and third parties i.e. Unidevelopment S.A. and Unibep S.A. the Group participated in subsequent joint ventures. 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.

Additional notes and explanations to the consolidated financial statements

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

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. Also here all flats were sold by the end of 2022.

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 9.

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. 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.

CPD Group distinguishes the following classes of assets included in its real property portfolio:

(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.

The Group valued individual investment properties using the following methods:

The Group had real estate valued annually at fair value as at the balance sheet date. External valuations determined 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.

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.

(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.)*

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.

As at the end of 2022 the investment properties portfolio consisted of one estate only. The Management determined it's balance sheet value based on prior year external comparative method valuation, adjusted by additional 9,5% discount.

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	10%	9,0 - 11,5	n/a

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

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
comparative with discount	1 910	discount rate	+/- 1 pp	+/- 210

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).

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

4.4 Income tax(cont.)

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.

5 Investment properties

	Nine-month 12 months ended 31 December 2022	12 months ended 31 December 2021
At the beginning of the period	**167 667**	**165 618**
Capital expenditure	3 621	708
Change in the balance of capitalized financial liability concerning the property disposed	(506)	(75)
Change in the balance of capitalized financial liability concerning the properties transferred to assets held for sale	(4 899)	(2 244)
Change in the balance of capitalized financial liability	(3)	(3)
Change in the balance of capitalized financial liability concerning the properties transferred from joint ventures	0	2 464
Transfer to assets held for sale	(130 360)	(2 500)
Result from fair value adjustment on investment property	(35 402)	3 699
Other reclassifications	1 792	0
	1 910	**167 667**

As at 31 December 2022 the total fair value of real estate owned by the Group and presented in the consolidated financial statements as investment properties dropped resulting mainly from disposals and reclassifications. In 2022 the Group recognized a loss from fair value adjustments of investment properties of PLN 35.4 million.

As at 31 December 2022 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 2022	31 December 2021
Investment properties by valuation	1 910	162 260
Liabilities in respect of perpetual usufruct	0	5 407
Investment property presented in the statement of financial position	**1 910**	**167 667**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

5 Investment properties - cont.

Direct operating expenses relating to investment properties:

	12 months ended 31 December 2022	12 months ended 31 December 2021
- generating income from rent	4 986	5 351
- other	53	110
	5 039	**5 461**

6 Trade receivables and other receivables

	31 December 2022	31 December 2021
Trade receivables	571	1 160
Prepayments and accruals	216	602
Tax receivables	2 081	1 271
Receivables from related entities	31	231
Short-term trade receivables and other receivables	**2 899**	**3 264**
Long-term receivables	0	494
Total trade receivables and other receivables	**2 899**	**3 758**

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.

During 2022, after few years of proceeding, the Group recovered other receivables, considered unrecoverable in prior years. As a result the Group showed income of PLN 7.4 million from derecognition of related valuation allowance.

Trade receivables	31 December 2022	31 December 2021
Current	571	1 160
Overdue, with recognized impairment (provided for in full)	132	68

Other receivables	31 December 2022	31 December 2021
Overdue, with recognized impairment (provided for in full)	6	6

Impairment of receivables	31 December 2022	31 December 2021
Opening balance	74	1 166
- increases	64	25
- decreases	0	(915)
- allowance utilisation	0	(202)
Closing balance	**138**	**74**

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

7 Inventories

	31 December 2022	31 December 2021
Finished goods	2 624	2 552
Goods for resale	3 820	1 148
Capitalised leasing liabilities	187	187
	6 631	**3 887**

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

	31 December 2022	31 December 2021
At the beginning of the period	**3 887**	**3 601**
Disposals	(57)	(353)
Impairment loss	2 801	679
Foreign exchange differences	0	(40)
As at the balance sheet date	**6 631**	**3 887**

8 Cash and cash equivalents

	31 December 2022	31 December 2021
Cash in hand and at bank	45 149	75 254
Restricted cash	3	3 234
Short-term bank deposits	31 141	3 285
	76 293	**81 773**

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.

9 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.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

9 Joint ventures (cont.)

The second one - Ursa Home - consists of 341 flats (153 in the first stage and 188 flats in the second one) and was completed in 2021.

(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. During 2022 the sales of flats in this joint venture was also completed.

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

		31 December 2022	31 December 2021
a)	Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	0	0
b)	Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	658	1 105
c)	Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością sp.k.	3 090	11 690
		3 748	**12 795**

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

	31 December 2022	31 December 2021
Opening balance as at 1 January	**1 105**	**0**
Group's share of the net profit or loss of the joint ventures presented in these consolidated financial statements	(447)	18 025
Other adjustments	0	(16 920)
Closing balance as at 31 December	**658**	**1 105**

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

	31 December 2022	31 December 2021
Opening balance as at 1 January	**11 690**	**27 136**
Group's share in contributions to the joint venture	0	3 514
Group's share in withdrawals of the contributions to the joint venture	(11 093)	(11 253)
Group's share in future contributions to the joint venture	0	(5 278)
Group's share in joint venture's profit distributions	(11 336)	(8 545)
Amendment of the property rights to the joint venture's net assets	(1 669)	(1 415)
Group's share of the net profit or loss of the joint ventures presented in these consolidated financial statements	15 498	7 531
Closing balance as at 31 December	**3 090**	**11 690**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

9 Joint ventures (cont.)

The financial information of individually material joint ventures of the Group as at 31 December 2022 and for the period from 1 January 2022 to 31 December 2022 is presented in the below table:

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

Financial information from statement of financial position	31 December 2022	31 December 2021
Total non-current assets, including	**745**	**659**
Intangible assets	745	659
Total current assets, including:	**5 008**	**6 108**
Inventory	0	354
Trade receivables and other receivables	159	1 962
Cash and cash equivalents	4 849	3 792
Total assets	**5 753**	**6 767**
Trade payables and other liabilities	4 437	4 557
Net assets	**1 316**	**2 210**
% held by the Group	*50%*	*50%*
Carrying amount of investment in joint venture presented in the consolidated financial statements	**658**	**1 105**

Financial information from statement of comprehensive income	31 grudnia 2022	31 grudnia 2021
Revenue	474	68 047
Interest cost	1	3
Result from continued operations	(894)	22 492

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

Financial information from statement of financial position	31 December 2022	31 December 2021
Total non-current assets, including	**1 133**	**261**
Intangible assets	0	261
Deferred tax assets	1 133	0
Total current assets, including:	**12 827**	**84 346**
Inventory	533	73 809
Trade receivables and other receivables	98	539
Cash and cash equivalents	12 196	9 998
Total assets	**13 960**	**84 607**
Non-current liabilities	420	3 273
Trade payables and other current liabilities	7 360	61 291
Total liabilities	**7 780**	**64 564**
Net assets	**6 180**	**20 043**
% held by the Group	*50%*	*58%*
Carrying amount of investment in joint venture presented in the consolidated financial statements	**3 090**	**11 690**

Additional notes and explanations to the consolidated financial statements

9 Joint ventures (cont.)

Financial information from statement of comprehensive income	31 December 2022	31 December 2021
Revenue	124 025	82 046
Interest cost	29	8
Result from continued operations	30 996	12 912

10 Share capital

	Number of shares in thousands		Value of shares	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Ordinary shares series AA	8 966	26 371	897	2 637
Total	**8 966**	**26 371**	**897**	**2 637**

As of the date of these condensed consolidated financial statements share capital amounts to PLN 897 thousand. 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.

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 on 14 March 2022.

On 29 July 2022 CPD SA acquired another 1.672.591 of own shares for redemption. The unit redemption price amounted to PLN 29,90, The shares represent 18,65% of CPD SA share capital. However based on the relevant regulations the Company is prevented from executing voting rights from own shares.

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".

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

11 Trade payables and other payables

Long-term trade payables and other payables

	31 December 2022	31 December 2021
Tenant deposits	0	2 629

Short-term trade payables and other payables

	31 December 2022	31 December 2021
Trade payables	1 421	1 053
Other liabilities	262	503
Advanced sales payments	0	2 506
Output VAT and other tax liabilities	20 301	10 236
Deposits of tenants	0	230
Accruals and deferred income	1 555	2 166
Total	**23 539**	**16 694**

Trade payables bear no interest and are payable within one 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.

As at the end of both 2022 and 2021 VAT was the individual most significant contributor to the short term payables amount.

12 Borrowings (including leasing)

	31 December 2022	31 December 2021
Long-term		
Bank loans	0	51 957
Leasing liabilities	187	5 594
	187	**57 551**
Short-term		
Bank loans	0	37 309
Total loans and borrowings	**187**	**94 860**

During 2022 CPD Group fully repaid all the prior bank loans.

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.

	31 December 2022	31 December 2021
Repayment of the principal amount of lease liabilities based on the effective interest rate due within:		
1 year	0	3
from 1 to 5 years	0	12
after more than 5 years	187	5 579
	187	**5 594**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

12 Borrowings (including leasing) (cont.)

	31 December 2022	31 December 2021
Par value of minimum lease payments due:		
within 1 year	14	423
from 1 to 5 years	56	1 690
after more than 5 years	1 095	26 847
	1 165	**28 960**
Future financial costs	(978)	(23 366)
	187	**5 594**

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 2022	31 December 2021
up to 6 months	0	35 508
from 6 months to 1 year	0	1 802
from 1 to 5 years	0	51 956
	0	**89 266**

13 Changes of indebtedness

	Bank loans	Capitalised lease	Derivatives	Total
1 January 2022	**89 266**	**5 594**	**0**	**94 860**
Accrued interest	1 809	0	0	1 809
Principal repaid	(80 914)	(3)	0	(80 917)
Interest repaid	(1 954)	0	0	(1 954)
Other non-cash changes, including:	(8 207)	(5 404)	0	(13 611)
- Balance sheet reclassifications	*0*	*(4 899)*	*0*	*(4 899)*
- Other changes	*0*	*(505)*	*0*	*(505)*
- Balance sheet valuation	*(8 207)*	*0*	*0*	*(8 207)*
31 December 2022	**0**	**187**	**0**	**187**

	Bank loans	Capitalised lease	Derivatives	Total
1 January 2021	**101 639**	**5 454**	**325**	**107 418**
Recognition	0	2 464	0	2 464
Accrued interest	2 096	0	0	2 096
Principal repaid	(11 225)	(3)	(325)	(11 553)
Interest repaid	(2 076)	0	0	(2 076)
Other non-cash changes, including:	(1 168)	(2 321)	0	(3 489)
- Balance sheet reclassifications	*0*	*(2 244)*	*0*	*(2 244)*
- Other changes	*0*	*(77)*	*0*	*(77)*
- Balance sheet valuation	*(1 168)*	*0*	*0*	*(1 168)*
1 January 2022	**89 266**	**5 594**	**0**	**94 860**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

14 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 2022	31 December 2021
Deferred tax assets before offset	**961**	**1 379**
Offset against deferred tax liability	(961)	(1 379)
Deferred tax assets	**0**	**0**
Deferred income tax liabilities before offset	**9 802**	**15 611**
Offset against deferred tax asset	(961)	(1 379)
Deferred income tax liabilities after offset	**8 841**	**14 232**
- to be settled beyond 12 months	5 720	8 615
- to be settled within 12 months	3 121	5 617

	12 months ended	
	31 December 2022	31 December 2021
Change in deferred tax assets	(418)	(9 218)
Change in deferred tax liabilities	(5 809)	(14 338)
Amount charged/(credited) to profit or loss	**5 391**	**5 120**

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

Deferred income tax liabilities (before offset)

	2021	Charged to profit/(loss)	Charged to other comprehensive income	2022
Property valuation to fair value	9 712	(6 650)	0	3 062
Accrued interest on loans	5 709	959	0	6 668
Deferred revenue	128	(115)	0	13
Foreign exchange differences	62	(19)	0	43
Other	0	16	0	16
Total	15 611	(5 809)	0	9 802

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

14 Deferred income tax (cont.)

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

Deferred income tax assets (before offset)

	2021	Charged to profit/(loss)	Charged to other comprehensive income	2022
Accrued interest	961	(256)	0	705
Foreign exchange differences	294	(283)	0	11
Provisions	79	55	0	134
Other	36	64	0	100
Tax losses	9	2	0	11
	1 379	(418)	0	961

	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

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 31.12.2022

	2023	2024-2025	2026-2027	Total
Losses on which deferred tax was recognized	15	53	41	109
Losses on which deferred tax was not recognized	6 489	1 279	19 152	26 920

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 Revenues

Revenues by category:	12 months ended 31 December 2022	12 months ended 31 December 2021
Sales of inventories	57	385
Real estate advisory services	655	1 007
Accounting services	36	41
	748	**1 433**

Future minimum cumulative rental revenues resulting from irrevocable lease agreements:

	12 months ended 31 December 2022	12 months ended 31 December 2021
up to 1 year	0	9 120
from 1 to 5 years	0	17 292
more than 5 years	0	1 339
	0	**27 751**

16 Cost of sales

	12 months ended 31 December 2022	12 months ended 31 December 2021
Cost of inventories sold	131	353
Changes in impairment write-downs of inventories	(2 747)	(679)
	(2 616)	**(326)**

17 Administrative expenses – property related

	12 months ended 31 December 2022	12 months ended 31 December 2021
Property maintenance	5	0
Real estate tax	90	118
Perpetual usufruct	551	505
Depreciation and amortization	6	122
	652	**745**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

18 Administrative expenses - other

	12 months ended 31 December 2022	12 months ended 31 December 2021
Advisory services	5 669	4 032
Employee expenses	2 884	3 664
Audit fee	176	180
Transport	27	10
Taxes	334	191
Office maintenance	596	849
Other services	213	620
Costs of not deductible VAT	0	228
Other costs	635	320
	10 534	**10 094**

19 Other income

	12 months ended 31 December 2022	12 months ended 31 December 2021
Provision released	262	1 098
Disposal of PPE	0	(16)
Contractual penalties received	60	0
Other	13	504
	335	**1 586**

20 Financial income and costs

	12 months ended 31 December 2022	12 months ended 31 December 2021
Costs related to instruments measured at fair value:		
Tax interest	(891)	(668)
Income related to instruments measured at fair value:		
Bank interest	911	0
Tax interest	63	262
Other financial income	28	96
Financial income	**1 002**	**358**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

21 Income tax expense

	12 months ended 31 December 2022	12 months ended 31 December 2021
Current tax	5 135	5 730
Deferred tax	(5 391)	(5 120)
Tax effect of discontinued operations	5 916	(1 578)
	5 660	**(968)**

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 2022	12 months ended 31 December 2021
Profit before tax	**17 590**	**23 476**
Loss from discontinued operations before tax	(31 136)	8 307
Estimated tax liability at 19% tax rate	2 574	(6 039)
Tax impact of:		
- various tax rates applicable to Group companies	634	205
- reassessment of prior years deferred tax assets recoverability	0	26
- loss of companies where the asset was not recognized	(5 283)	(117)
- use of prior years losses, where the assets has not recognised	0	0
- not recognised tax effect of provisions and write-offs	1 411	3 215
- tax on intercompany transactions	1 110	2 000
- tax effect of discontinued operations	(5 916)	1 578
- other	(190)	100
Income tax expense	**(5 660)**	**968**

22 Contingencies

According to the best knowledge of the Management of the CPD Group 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

23 Basic operating cash flows

	12 months ended 31 December 2022	12 months ended 31 December 2021
Adjustments of operating cash flows for:		
- depreciation of tangible fixed assets	(6)	121
– currency translation adjustments	(234)	60
- foreign exchange differences	(8 810)	(1 083)
- result on investment properties valuation	35 357	(3 699)
– share of the profit or loss of the joint ventures	(17 495)	(10 087)
- result on investment valuation of asset held for sale	(2 929)	(293)
- interest expenses	2 025	2 124
- interest income	(911)	0
- impairment of inventories	(2 801)	(679)
- result on investment property disposal	1 925	(827)
- result on derivatives disposal	425	0
- result on derivatives valuation	(662)	(223)
Movements in working capital:		
- change in receivables	(875)	16 683
- change in inventories	57	353
- change in trade payables and other payables	9 652	(31 438)
	14 718	**(28 988)**

24 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 2022	12 months ended 31 December 2021
a) Transactions with key managers		
Remuneration of the Management Board members	1 844	1 792
Cost of work and services provided by members of the Management Board	6 157	601
Cost of remuneration of members of the Supervisory Board	68	468

	31 December 2022	31 December 2021
Total receivables	19	19
Total payables	793	0

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

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

		12 months ended 31 December 2022	12 months ended 31 December 2021
b) Transactions with other related parties			
Revenues			
Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- services*	0	8
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- services*	33	167
Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- services*	694	966
Costs			
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	*- services*	47	102
Laxey Cooperative	*- interest*	19	0
Liabilities			
Kancelaria Radców Prawnych Oleś i Rodzynkiewicz	*- trade payables*	0	7
Receivables			
Ursa Park Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- trade receivables*	6	16
Ursa Sky Smart City Spółka z ograniczoną odpowiedzialnością Sp.k.	*- trade receivables*	25	215

25 Seasons of activity and unusual events

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

26 Assets and liabilities held for sale

As at 31 December 2022 part of properties and leasing liabilities of Lakia Investments Sp., z o.o. were classified as 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.

Assets held for sale	31 December 2022	31 December 2021
Investment properties	22 215	2 500
Capitalised leasing liabilities from perpetual usufruct	1 830	2 244
	24 045	**4 744**
Liabilities classified as held for sale		
Borrowings, including leasing	1 830	2 244
Net assets held for sale	**22 215**	**2 500**

27 Discontinued operations

During 2022 the Group discontinued part of it's business, being lease of office properties. Majority of lease related assets were disposed and relevant financing liabilities repaid. The last office building and related liabilities are presented as assets and liabilities held for sale.

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

27 Discontinued operations (cont.)

The result of office lease related activity is as follows:

	12 months ended 31 December 2022	12 months ended 31 December 2021
Revenue	17 010	17 647
Cost of sales	(1 015)	(3 348)
GROSS PROFIT	**15 995**	**14 299**
Administrative expenses - property related	(5 539)	(6 317)
Net gain (loss) on sale of investment property	(2 244)	0
Other income	0	1 897
Net gain (loss) from fair value adjustments of investment property	(35 126)	1 060
Net profit (loss) from assets held for sale valuation	2 929	0
OPERATING PROFIT (LOSS)	**(23 985)**	**10 939**
Finance income	817	437
Finance costs	(7 968)	(3 069)
PROFIT (LOSS) BEFORE INCOME TAX	**(31 136)**	**8 307**
Income tax expense	5 916	(1 578)
PROFIT (LOSS) AFTER INCOME TAX	**(25 220)**	**6 729**

As a result of discontinuation of the office lease related activities, the comparative data in the consolidated statement of comprehensive income were restated as follows:

	published	restated
Revenue	19 080	1 433
Cost of sales	(3 022)	326
GROSS PROFIT	**16 058**	**1 759**
Administrative expenses - property related	(10 715)	(745)
Administrative expenses - other	(6 441)	(10 094)
Selling and marketing expenses	(303)	(303)
Net gain (loss) on sale of investment property	827	827
Other income	3 483	1 586
Net gain from fair value adjustments of investment property	3 699	2 639
Post-tax share of the profit or loss of the joint-ventures accounted for using the equity method	27 005	27 005
Receivables valuation allowances	859	859
Net profit (loss) from assets held for sale valuation	293	293
Net gain (loss) on sale of subsidiaries	(40)	(40)
OPERATING PROFIT (LOSS)	**34 725**	**23 786**
Finance income	794	358
Finance costs	(3 736)	(668)
PROFIT (LOSS) BEFORE INCOME TAX	**31 783**	**23 476**
Income tax expense	(610)	968

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

27 Discontinued operations (cont.)

PROFIT FROM CONTINUED OPERATIONS	**31 173**	**24 444**
Result of discontinued operations	0	6 729
PROFIT (LOSS) FOR THE YEAR	**31 173**	**31 173**
- attributable to the Group equity holders	*31 173*	*31 173*
- attributable to non controlling interest	*0*	*0*
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss upon condition	19	19
Other comprehensive income not to be reclassified to profit or loss	0	0
Other comprehensive income	**19**	**19**
TOTAL COMPREHENSIVE INCOME	**31 192**	**31 192**
Total comprehensive income for the year		
- attributable to the Group equity holders	*31 192*	*31 192*
- attributable to non controlling interest	*0*	*0*
BASIC EARNINGS PER SHARE (PLN)	**2,20**	**2,20**
- from continued operations	*2,20*	*1,73*
- from discontinued operations	*0,00*	*0,47*
DILUTED EARNINGS PER SHARE	**2,20**	**2,20**
- from continued operations	*2,20*	*1,73*
- from discontinued operations	*0,00*	*0,47*

28 Auditor remuneration

Remuneration for the Group auditor amounted to PLN 176 thousand in the current year and PLN 180 thousand in prior year.

29 Dividend distribution

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

30 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 2022	**12 months ended 31 December 2021**
Profit (loss) attributable to the shareholders in the parent company	(13 290)	31 173
Weighted average number of ordinary shares (in '000)	8 256	14 141
Earnings per share	**(1,61)**	**2,20**
Diluted profit (loss) attributable to shareholders	(13 290)	31 173
Weighted average number of ordinary shares (in '000)	8 256	14 141
Diluted earnings per share	**(1,61)**	**2,20**

(All amounts in PLN thousands unless otherwise stated)

Additional notes and explanations to the consolidated financial statements

30 Earnings per share – basic and diluted (cont.)

There were no items diluting the Group earnings in any of 2022 nor 2021.

	31 December 2022	31 December 2021
Net assets at book value	81 129	144 663
Number of ordinary shares (in '000)	7 293	8 966
Net assets per share	**11,12**	**16,13**

31 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 15.

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.

32 Events after the balance sheet date

On 31 January 2023, CPD S.A. entered into an agreement with Securities Trust Sp. z o.o. for the sale of 100% of the shares in the share capital of its subsidiary Challange Eighteen Sp. z o.o. w likwidacji.

On 1 February 2023, CPD S.A. entered into an agreement with Securities Trust Sp. z o.o. for the sale of 100% of the shares in the share capital of its subsidiary Ursus Development Sp. z o.o. w likwidacji.

On 28 February 2023 Elara Investments Sp. z o.o. disposed a property in Warsaw for PLN 3.075 thousand including VAT.

On 1 March 2023 Lakia Investments Sp. z o.o. disposed the office building in Warsaw for PLN 28.290 thousand including VAT.

The Group disposed 100% shares in the subsidiary Celtic Investments Ltd PLN with its headquarters in Nicosia on 17 March 2023.

On 24 March 2023 CPD SA acquired 1.535.558 of own shares for redemption. The unit redemption price amounted to PLN 29,90.

On 1 March 2023 CPD SA informed it decided to start the process of reviewing strategic options , the purpose of which is to identify possible directions of development of the Company and the Group. The review will result in an assessment of possible courses of action aimed at maximizing shareholder value. The Management is considering a few possible courses of action, which may include acquiring a strategic investor or carrying out alternative actions, which may result in a change in the Company's shareholding structure. The Management Board also does not rule out initiating projects in industries where the Group has not been present so far. However, the Management does not guarantee that the review will lead to any transaction changing this structure, and furthermore that the review will lead to the selection of any strategic option.

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

These consolidated financial statements were approved by the CPD SA Management Board on 27 April 2023.

Grant Thornton

Independent Auditor's Report on Annual Consolidated Financial Statements

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For the Shareholders of CPD S.A.

Report on the Annual Consolidated Financial Statements

Opinion

We have audited the annual consolidated financial statements of the Group (the Group), in which the parent entity is CPD S.A. (the Parent) with its registered office in Warsaw, 7B Cybernetyki Street, which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the financial year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying annual consolidated financial statements:

- give a true and fair view of the financial position of the Group as of December 31, 2021 and of its financial performance and of its cash flows for the financial year then ended in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations and adopted accounting principles (policy),
- comply with the laws affecting the content and form of the annual consolidated financial statements and the provisions of the Parent's articles of association.

The audit opinion is consistent with the additional report to the Audit Committee submitted on the same day as this audit report.

Basis for Opinion

We conducted our audit in accordance with

- the Act of May 11, 2017 on statutory auditors, audit firms, and public supervision (uniform text: Journal of Laws of 2022, item 1302, as amended) (the Act on Statutory Auditors),
- International Standards on Auditing adopted as National Standards on Auditing (NSA) by the National Council of Statutory Auditors' resolution No. 3430/52a/2019 of March 21, 2019, as amended and
- Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April,16 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ L 158, 27.5.2014, p. 77 and OJ L 170, 11.6.2014, p. 66) (the Regulation 537/2014).

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Consolidated Financial Statements* section of our report.
We are independent of the entities comprising the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including *International Independence Standards*) (IESBA Code) adopted by the National Council of Statutory Auditors' resolution No. 3431/52a/2019 of March 25, 2019 together with the ethical requirements that are relevant to our audit of the financial statements in Poland. In particular, in conducting the audit the Key Audit Partner and the Audit Firm remained independent of the entities comprising the Group in accordance with the provisions of the Act on Statutory Auditors and the Regulation 537/2014. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the annual consolidated financial statements of the current period. They include the most significant assessed risks of material misstatement, including assessed risk of material misstatement due to fraud. These matters were addressed in the context of the audit of the annual consolidated financial statements as a whole, and in forming the auditor's opinion thereon. Below, we provided a summary of our response to those risks and where relevant, key observations arising with those risks. We do not provide a separate opinion on these matters.

Valuation of investment properties (IP)	**Auditor's response**
The value of properties is significant. The risk is this area is:	Within the scope of the performed audit, we carried out the following procedures:
• impairment loss of the properties	• an analysis of Appraiser valuation reliability,
The Company included a disclosure concerning the IP in note No 5.	• an analysis of sales after the balance sheet date in order to determine whether it is not valued above book value (including assets held for sale),.

Responsibilities of Management Board and Supervisory Board of the Parent for the Annual Consolidated Financial Statements

The Management Board of the Parent is responsible for the preparation of these annual consolidated financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Group in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations, adopted accounting principles (policy), legal regulations, and the Parent's articles of association. The Management Board of the Parent is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of annual consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the annual consolidated financial statements, the Management Board of the Parent is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board of the Parent either intends to liquidate the Group or to cease the operations, or has no realistic alternative but to do so.

In accordance with the Accounting Act of September 29, 1994 (uniform text: Journal of Laws of 2023, item 120, as amended) (the Accounting Act), the Management Board and the Supervisory Board of the Parent are obliged to assure compliance of the annual consolidated financial statements with the requirements of the Accounting Act. The Supervisory Board of the Parent is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Annual Consolidated Financial Statements

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

The scope of the audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which the Management Board of the Parent has conducted or will conduct the affairs of the Group.

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

- Identify and assess the risks of material misstatement of the annual consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent.
- Conclude on the appropriateness of the Management Board of the Parent's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in

our auditor's report to the related disclosures in the annual consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual consolidated financial statements, including the disclosures, and whether the annual consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the annual consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board of the Parent with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From matters communicated with the Supervisory Board of the Parent, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information including the Report on the Group's operations

The other information comprises the Report on the Group's operations for the financial year ended December 31, 2022, the Corporate Governance Statement which is a separate part of the Report on the Group's operations and the Annual Report for the year ended December 31, 2022 (but does not include the consolidated financial statements and our auditor's report thereon).

Responsibilities of the Management Board and the Supervisory Board of the Parent

The Management Board of the Parent is responsible for the preparation of the other information in accordance with the Accounting Act and other legal regulations. The Management Board and the Supervisory Board of the Parent are obliged to assure compliance of the Report on the Group's operations with the requirements of the Accounting Act.

Responsibilities of the Auditor

Our opinion on the annual consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon that results from NSAs. In connection with our audit of the annual consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether it is materially inconsistent with the annual consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. Additionally, according to the Act on Statutory Auditors, our responsibility is to express an opinion on whether the Report on the Group's operations has been prepared in accordance with legal regulations and whether information included therein is consistent with the accompanying annual consolidated financial statements. Moreover, we are obliged TO express an opinion on whether the Parent included the required information in the Corporate Governance Statement. We obtained the Report on the Group's operations prior to the date of this auditor's report, while the remaining parts of the Annual Report will be delivered later. If we conclude that there is a material misstatement in the Annual Report, we are required to communicate the matter to the Supervisory Board of the Parent.

Opinion on the Report on the Group's operations

In our opinion, the Report on the Group's operations has been prepared in accordance with the applicable legal regulations, i.e. Article 55 clause 2a of the Accounting Act and Paragraph 71 of the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information disclosed by issuers of securities and the conditions for recognition as equivalent of the information required by law of a non-member state (Journal of Laws of 2018, item 757) (the Regulation on current and periodic information), and information included therein is consistent with the accompanying annual consolidated financial statements. Moreover, taking into account our knowledge of the Group and its environment obtained during the audit of the annual consolidated financial statements, we state that we have not identified any material misstatements in the Report on the Group's operations

Opinion on the Corporate Governance Statement

In our opinion, the Corporate Governance Statement includes the information required by Paragraph 70 clause 6 point 5 of the Regulation on current and periodic information. The information specified in Paragraph 70 clause 6 point 5 letters c-f, h and i of the Regulation on current and periodic information included in the Corporate Governance Statement complies with applicable regulations and is consistent with the information included in the annual consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Opinion on the compliance of marking up of the consolidated financial statements prepared in a single electronic reporting format with the requirements of the regulation on technical standards on the specification of a single electronic reporting format

In connection with the audit of the annual consolidated financial statements, we have been engaged to perform a reasonable assurance engagement to express an opinion on whether the annual consolidated financial statements of the Group as at and for the year ended December 31, 2022, prepared in a single electronic reporting format contained in the file named *esef_cpd_2022-12-31_pl.zip* (consolidated financial statements in the ESEF format) have been marked up in accordance with the requirements set out in the Commission Delegated Regulation (EU) 2019/815 of December 17, 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF Regulation).

Identification of the criteria and description of the subject matter of the engagement

The consolidated financial statements in the ESEF format were prepared by the Management Board of the Parent in order to meet the marking requirements and technical requirements for the specification of a single electronic reporting format, as set out in the ESEF Regulation.
The subject matter of our assurance engagement is to verify the compliance of marking up of the consolidated financial statements in the ESEF format with the requirements of the ESEF Regulation, and we believe that the requirements set out in the regulations form appropriate criteria for expressing our opinion.

Responsibility of the Parent's Management Board and Supervisory Board

The preparation of consolidated financial statements in the ESEF format in accordance with the marking requirements and technical requirements for the specification of a single electronic reporting format, as set out

in the ESEF Regulation, is the responsibility of the Parent's Management Board. The responsibility includes the selection and application of appropriate XBRL markups with the use of the taxonomy defined in those regulations.
The responsibility of the Parent's Management Board also includes the design, implementation and maintenance of an internal control system to ensure the preparation of consolidated financial statements in the ESEF format free from material non-conformities with the requirements of the ESEF Regulation.
Members of the Parent's Supervisory Board are responsible for overseeing the financial reporting process, including the preparation of financial statements in accordance with the format resulting from applicable laws.

Auditor's Responsibility

Our objective was to express an opinion, on the basis of a reasonable assurance engagement, whether the consolidated financial statements in the ESEF format have been marked up in accordance with the requirements of the ESEF Regulation.
We performed the engagement in accordance with National Standard for Assurance Engagements other than Audits or Reviews 3001PL *Audit of Financial Statements Prepared in a Single Electronic Reporting Format*, which was adopted by resolution of the National Council of Statutory Auditors No. 1975/32a/2021 of December 17, 2021 (NSAE 3001PL) and, where relevant, in accordance with National Standard for Assurance Engagements other than Audits or Reviews 3000 (R) in the wording of International Standard on Assurance Engagements (ISAE) 3000 (revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, which was adopted by resolution of the National Council of Statutory Auditors No. 3436/52e/2019 of 8 April 8, 2019, as amended (NSAE 3000 (R)).
The standard imposes on a statutory auditor an obligation to plan and perform procedures in such a manner as to obtain reasonable assurance that consolidated financial statements in the ESEF format have been prepared in accordance with the specified criteria. Reasonable assurance means a high level of assurance, but it does not guarantee that an engagement performed in accordance with NSAE 3001PL and, where relevant, in accordance with NSAE 3000 (R), would always detect an existing material misstatement.
The selection of the procedure depends on the statutory auditor's judgement, including their estimation of the risks of material misstatement, whether due to fraud or error. When assessing the risk, the statutory auditor considers internal control associated with the preparation of consolidated financial statements in the ESEF format in order to plan the relevant procedures which are to provide the auditor with sufficient and appropriate evidence. The assessment of the functioning of the internal control system was not conducted for the purpose of expressing an opinion on the effectiveness of its functioning.

Summary of the work performed

The procedures planned and performed by us included, among others:

- obtaining an understanding of the process of preparation of consolidated financial statements in the ESEF format, covering the process of the Parent's Management Board's selection and application of XBRL markups and ensuring compliance with the ESEF Regulation, including understanding of the internal control system mechanisms related to the process;
- reconciliation of the marked up information on a selected sample contained in the consolidated financial statements in the ESEF format with the audited annual consolidated financial statements;
- assessment of compliance with technical standards on the specification of a single electronic reporting format, including the application of the XHTML format, using specialist IT tools
- assessment of the completeness of marking of information in the consolidated financial statements in the ESEF format with XBRL markups;
- assessment whether the XBRL markups from the taxonomy defined in the ESEF Regulation have been properly applied and whether extension taxonomies have been used in situations where the core taxonomy specified in the ESEF Regulation has not identified the relevant elements;
- assessment whether the applied extension taxonomies have been properly anchored in the core taxonomy defined in the ESEF Regulation.

We believe that the evidence we have obtained provides sufficient and appropriate basis for us to express an opinion on the compliance of marking up with the requirements of ESEF Regulation.

Ethical requirements, including independence

In performing the engagement, the statutory auditor and the audit firm complied with the independence requirements and other ethical requirements set out in the IESBA Code. The IESBA Code is based on fundamental principles relating to integrity, objectivity, professional competencies and due diligence, confidentiality and professional conduct. We also complied with other independence and ethics requirements that apply to this assurance engagement in Poland.

Quality management requirements

The audit firm applies national quality control standards in the wording adopted by resolution of the Council of the Polish Audit Oversight Agency No 38/I/2022 of November 15, 2022, which requires the audit firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Opinion on the compliance with the requirements of ESEF Regulation

The statutory auditor's opinion is based on the matters described above, therefore, the opinion should be read in consideration of these matters.
In our opinion, the consolidated financial statements in the ESEF format have been marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Statement on non-audit services

To the best of our knowledge and belief we confirm that we have not provided non-audit services prohibited in accordance with the provisions of Article 136 of the Act on Statutory Auditors and Article 5 clause 1 of the Regulation 537/2014.

Appointment of the Audit Firm

We were appointed to audit the annual consolidated financial statements of the Group for the years 2020 - 2022 by the Parent's Supervisory Board's resolution of September 15, 2020. We have been auditors of the Group since the financial year ended December 31, 2018, i.e. for 5 consecutive financial years.

Marcin Diakonowicz

Statutory Auditor No. 10524
Key Audit Partner performing the audit on behalf of
Grant Thornton Polska Prosta spółka akcyjna,
Poznań, ul. Abpa Antoniego Baraniaka 88 E, Audit Firm No. 4055

Warszawa, 27 of April 2023.

THIS IS TRANSLATION ONLY. The Polish language version of the report is the only valid and legally binding version. This translation into English is provided to facilitate understanding of the report.