

Ronson Development SE

Consolidated Financial Statements
for the year ended 31 December 2021

Management Board

Boaz Haim, *President of the Management Board*

Yaron Shama, *Vice-President of the Management Board, Chief Financial Officer*

Andrzej Gutowski, *Vice-President of the Management Board, Sales Director*

Karolina Bronszewska, *Member of the Management Board, Marketing and Innovation Director*

Supervisory Board

Amos Luzon, *Chairman*

Alon Kadouri

Ofer Kadouri

Przemysław Kowalczyk

Piotr Palenik

Shmuel Rofe

Registered office

Al. Komisji Edukacji Narodowej 57

02-797 Warsaw

Poland

Auditors

PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k.

ul. Polna 11

00-633 Warsaw

Poland

Contents**Page****Consolidated Financial Statements for the year ended 31 December 2021**

Consolidated Statement of Comprehensive Income for the year ended 31 December 2021	1
Consolidated Statement of Financial Position as at 31 December 2021	2
Consolidated Statement of Changes in Equity for the year ended 31 December 2021	3
Consolidated Statement of Cash Flows for the year ended 31 December 2021	4
Notes to the Consolidated Financial Statements	5

Consolidated Financial Statements for the year ended 31 December 2021

Consolidated Statement of Comprehensive Income

For the year ended 31 December		2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Revenue from residential projects	6	457,677	400,257
Revenue from the sale of land	6	22,500	-
Revenue from sale of services	6	722	976
Revenue		480,899	401,233
Cost of sales residential projects	6	(371,223)	(315,023)
Cost of sales of land	6	(24,976)	-
Cost of sales		(396,199)	(315,023)
Gross profit		84,700	86,210
Changes in the value of investment property	13	(297)	(307)
Selling and marketing expenses	7	(4,760)	(5,928)
Administrative expenses	8	(23,676)	(22,542)
Share of profit/(loss) from joint ventures	14	5,763	(803)
Other expenses	9	(4,857)	(3,401)
Other income	10	2,363	1,923
Result from operating activities		59,236	55,152
Finance income		600	558
Finance expense		(4,412)	(5,168)
Net finance income		(3,812)	(4,610)
Profit/(loss) before taxation		55,424	50,542
Income tax charges	11	(15,077)	(10,399)
Profit/(loss) for the year		40,347	40,143
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		40,347	40,143
Total profit/(loss) for the year attributable to:			
Equity holders of the parent	22	40,347	40,143
Non-controlling interests		-	-
Total profit/(loss) for the year		40,347	40,143
Total comprehensive income attributable to:			
Equity holders of the parent		40,347	40,143
Non-controlling interests		-	-
Total comprehensive income for the year, net of tax		40,347	40,143
Weighted average number of ordinary shares (basic and diluted)	22	162,445,075	163,103,163
<i>In Polish Zlotys (PLN)</i>			
Net earnings per share attributable to the equity holders of the parent (basic)	22	0.248	0.246
Net earnings per share attributable to the equity holders of the parent (diluted)	22	0.248	0.246

The notes on pages 5 to 71 are an integral part of these consolidated financial statements

Consolidated Financial Statements for the year ended 31 December 2021

Consolidated Statement of Financial Position

As at 31 December		2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Assets			
Non-current assets			
Property and equipment	12	7,558	8,797
Investment property	13	28,596	8,956
Intangible fixed assets		1,016	39
Investments in joint ventures	14	3,846	8,902
Deferred tax assets	15	8,195	9,037
Land designated for development	16	10,041	45,486
Total non-current assets		59,251	81,217
Current assets			
Inventory	16	655,542	664,761
Trade and other receivables and prepayments	17	58,180	37,374
Advances for Land	18	48,453	3,700
Income tax receivable		1,002	338
Loans granted to third parties		1,621	-
Loans granted to joint ventures	14	319	1,039
Other current financial assets	19	8,794	14,239
Cash and cash equivalents	20	133,434	135,099
Total current assets		907,345	856,550
Total assets		966,597	937,767
Equity and liabilities			
Equity			
Shareholders' equity			
Share capital	21	12,503	12,503
Share premium		150,278	157,905
Treasury shares		(1,732)	(1,613)
Retained earnings		258,996	211,022
Total Equity attributable to equity holders of the parent		420,045	379,817
Liabilities			
Non-current liabilities			
Floating rate bond loans	23	196,991	175,382
Deferred tax liability	15	13,513	9,562
Lease liabilities related to perpetual usufruct of investment property	24	553	590
Total non-current liabilities		211,057	185,534
Current liabilities			
Trade and other payables and accrued expenses	25	61,086	58,347
Floating rate bond loans	23	49,770	52,625
Other payables - accrued interests on bonds	23	2,477	2,065
Secured bank loans	23	1,568	-
Interest bearing deferred trade payables		-	8,482
Advances received	26	198,227	224,267
Income tax payable		2,716	11,734
Provisions		2,128	994
Lease liabilities related to perpetual usufruct of land	24	17,523	13,902
Total current liabilities		335,495	372,416
Total liabilities		546,552	557,950
Total equity and liabilities		966,597	937,767

The notes on pages 5 to 71 are an integral part of these consolidated financial statements

Consolidated Financial Statements for the year ended 31 December 2021

Consolidated Statement of Changes in Equity

	Attributable to the Equity holders of parent				<u>Total Equity attributable to the Equity holders of the parent</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Treasury shares</u>	<u>Retained earnings</u>	
<i>In thousands of Polish Zlotys (PLN)</i>					
Balance at 1 January 2021	12,503	157,905	(1,613)	211,022	379,817
Comprehensive income:					
Profit for the year ended 31 December 2021	-	-	-	40,347	40,347
Other comprehensive income	-	-	-	-	-
Total comprehensive income/(expense)	-	-	-	40,347	40,347
Own shares acquired	-	-	(119)	-	(119)
Reclassification of 2019 net result from Share premium to retained earnings ⁽¹⁾	-	(7,627)	-	7,627	-
Balance at 31 December 2021	12,503	150,278	(1,732)	258,996	420,045

(1) change of presentation of allocation of net result for the year 2019 from Share premium to Retained earnings

	Attributable to the Equity holders of parent				<u>Total Equity attributable to the Equity holders of the parent</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Treasury shares</u>	<u>Retained earnings</u>	
<i>In thousands of Polish Zlotys (PLN)</i>					
Balance at 1 January 2020	12,503	150,278	(580)	188,293	350,494
Comprehensive income:					
Profit for the period ended 31 December 2020	-	-	-	40,143	40,143
Other comprehensive income	-	-	-	-	-
Total comprehensive income/(expense)	-	-	-	40,143	40,143
Own shares acquired	-	-	(1,033)	-	(1,033)
Dividend	-	-	-	(9,787)	(9,787)
Allocation of 2019 result - share premium increase	-	7,627	-	(7,627)	-
Balance at 31 December 2020	12,503	157,905	(1,613)	211,022	379,817

The notes on pages 5 to 71 are an integral part of these consolidated financial statements

Consolidated Financial Statements for the year ended 31 December 2021**Consolidated Statement of Cash Flows**

For the year ended 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
	<i>Note</i>	
Cash flows from/(used in) operating activities		
Profit/(loss) for the period	40,347	40,143
Adjustments to reconcile profit for the period to net cash used in operating activities		
Depreciation	731	1,029
Decrease/(increase) in the value of investment property	297	(163)
Write-down/(reversal) of inventory	4,351	1,326
Finance expense	4,412	5,168
Finance income	(843)	(558)
Land purchase	(113,784)	(25,500)
Loss/(profit) on sale of property and equipment	-	60
Share of loss /(profit) from joint ventures	(5,763)	803
Income tax expense/(benefit)	11 15,076	10,399
Decrease/(increase) in inventory and land designated for development	33 167,376	71,762
Acquisition of Nova Królikarnia project	5 -	(46,914)
Decrease/(increase) in advances for land	(36,553)	(3,700)
Decrease/(increase) in trade and other receivables and prepayments	33 (28,937)	(11,669)
Decrease/(increase) in other current financial assets	5,445	7,918
Increase/(decrease) in trade and other payables and accrued expenses	33 1,502	17,580
Increase/(decrease) in provisions	1,134	(1,022)
Increase/(decrease) in advances received	(26,040)	(30,703)
Interest paid	(10,729)	(8,331)
Interest received	2	473
Income tax received/(paid)	11 (19,971)	(2,118)
Net cash from/(used in) operating activities	(1,948)	25,983
Cash flows from/(used in) investing activities		
Acquisition of new related party (entity)	-	(1,000)
Acquisition of property and equipment	(173)	(70)
Acquisition of investment properties	(19,937)	-
Proceeds from loans granted to JV	11,808	3,127
Loans granted to joint ventures	-	(1,126)
Loans granted to third parties	(1,621)	-
Proceeds from sale of property and equipment	-	146
Net cash from/(used in) investing activities	(9,922)	1,077
Cash flows (used in)/from financing activities		
Proceeds from bank loans, net of bank charges	23 19,223	26,029
Repayment of bank loans	23 (18,497)	(39,217)
Proceeds from bond loans, net of issue costs and of bonds replacement	23 95,105	96,223
Repayment of bond loans	23 (77,929)	(55,000)
Repayment of loans from other parties	(6,674)	(3,500)
Payment of dividend	-	(9,787)
Payment of perpetual usufruct rights	24 (904)	(1,268)
Buy-back of shares	21 (119)	(1,033)
Net cash from/(used in) financing activities	10,205	12,447
Net change in cash and cash equivalents	(1,665)	39,508
Cash and cash equivalents at beginning of period	135,099	95,591
Cash and cash equivalents at end of period*	133,434	135,099

* Including restricted cash that amounted to PLN 58,526 thousand and PLN 17,606 thousand as 31 December 2021 and as 31 December 2020, respectively.

The notes on pages 5 to 71 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Background and business of the Company

- (a) Ronson Development SE ('the Company'), formerly named Ronson Europe N.V., is an European Company with its statutory seat in Warsaw, Poland. The registered office is located at al. Komisji Edukacji Narodowej 57 in Warsaw. The Company was incorporated in the Netherlands on 18 June 2007 as Ronson Europe N.V. with statutory seat in Rotterdam. During 2018, the Company changed its name and was transformed into an European Company (SE) and, effectively as of 31 October 2018, transferred its registered office of the Company from the Netherlands to Poland. Address of the Company's registered office is the same as domicile of the Company (Al. Komisji Edukacji Narodowej 57 in Warsaw).

The Company (together with its subsidiaries, 'the Group') is active in the development and sale of residential units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland. In 2021 the Management Board of the Company decided to start developed of a new activity, so-called Private Rent Sector (PRS). The Company prepared Consolidated Financial Statements for the year ended 31 December 2021, which was authorized for issue on 16 March 2022.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. According to publicly available information, as at 31 December 2021:

- 66.06% of the shares are indirectly controlled by A. Luzon Group (via I.T.R. Dori B.V.) and 27.98% of the shares are directly controlled by A. Luzon Group (Ultimate Parent). The Ultimate Controlling Party is Mr Amos Luzon, member of the Supervisory Board;
- 0.96% of the shares are held by the Company;
- 5.00% of the outstanding shares are held by other investors.

The number of shares held by the investors is equal to the number of votes, as there are no privileged shares issued by the Company. It shall be noted that as at 31 December 2021 and as at 15 March 2022 the Company held 1,567,954 own shares (0.96%) and, in accordance with art. 364 § 2 of the Code of Commercial Companies, it does not exercise voting rights from own shares.

As of publication date of the financial statements, 66.06% of the shares are indirectly controlled by A. Luzon Group (via I.T.R. Dori B.V.) and 32.98% of the shares are directly owned by Amos Luzon Development and Energy Group Ltd. (Ultimate Parent).

As of 15 March 2022, the closing price of one share amounted to PLN 2.46, giving a total market capitalization of the Company at the level of PLN 403,5 million.

Consolidated Financial Statements for the year ended 31 December 2021

Notes to the Consolidated Financial Statements

1. Background and business of the Company (continued)

- (b) The details of the entities whose financial statements have been included in these Consolidated Financial Statements, the year of incorporation and the percentage of ownership and voting rights directly or indirectly held by the Company as at 31 December 2021 and as at 31 December 2020, are presented below and on the following page.

The projects managed by the entities are in various stages of development ranging from being in the process of acquiring land for development to projects which are completed or near completion.

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		31 December 2021	31 December 2020
Share of ownership & voting rights at the end of			
a. held directly by the Company:			
1 Ronson Development Management Sp. z o.o.	1999	100%	100%
2 Ronson Development Warsaw Sp. z o.o.	2000	100%	100%
3 Ronson Development Investment Sp. z o.o.	2011	100%	100%
4 Ronson Development Metropol Sp. z o.o.	2011	100%	100%
5 Ronson Development Creations Sp. z o.o.	2005	100%	100%
6 Ronson Development Sp. z o.o.	2006	100%	100%
7 Ronson Development Construction Sp. z o.o.	2006	100%	100%
8 City 2015 Sp. z o.o.	2006	100%	100%
9 Ronson Development Village Sp. z o.o. ⁽¹⁾	2007	100%	100%
10 Ronson Development Skyline Sp. z o.o.	2007	100%	100%
11 Ronson Development Universal Sp. z o.o. ⁽¹⁾	2007	100%	100%
12 Ronson Development South Sp. z o.o.	2007	100%	100%
13 Ronson Development Partner 5 Sp. z o.o.	2007	100%	100%
14 Ronson Development Partner 4 Sp. z o.o.	2007	100%	100%
15 Ronson Development North Sp. z o.o.	2007	100%	100%
16 Ronson Development Providence Sp. z o.o.	2007	100%	100%
17 Ronson Development Finco Sp. z o.o.	2009	100%	100%
18 Ronson Development Partner 2 Sp. z o.o.	2009	100%	100%
19 Ronson Development Partner 3 Sp. z o.o.	2012	100%	100%
20 Ronson Development Studzienna Sp. z o.o.	2019	100%	100%
21 Ronson Development SPV1 Sp. z o.o. ⁽²⁾	2021	100%	-
22 Ronson Development SPV2 Sp. z o.o. ⁽²⁾	2021	100%	-
23 Ronson Development SPV3 Sp. z o.o. ⁽²⁾	2021	100%	-
24 Ronson Development SPV4 Sp. z o.o. ⁽²⁾	2021	100%	-
25 Ronson Development SPV5 Sp. z o.o. ⁽³⁾	2021	100%	-
26 Ronson Development SPV6 Sp. z o.o. ⁽³⁾	2021	100%	-
27 Ronson Development SPV7 Sp. z o.o. ⁽⁴⁾	2021	100%	-
28 Ronson Development SPV8 Sp. z o.o. ⁽⁴⁾	2021	100%	-
29 Ronson Development SPV9 Sp. z o.o. ⁽⁴⁾	2021	100%	-
30 Ronson Development SPV10 Sp. z o.o. ⁽⁷⁾	2021	100%	-
31 Ronson Development SPV11 Sp. z o.o. ⁽⁷⁾	2021	100%	-
b. held indirectly by the Company :			
32 Nova Królikarnia B.V. (Company with the registered office in the Netherlands) ⁽⁶⁾	2016	-	100%
33 AGRT Sp. z o.o.	2007	100%	100%
34 Ronson Development Partner 4 Sp. z o.o. – Panoramika Sp.k.	2007	100%	100%
35 Ronson Development Sp. z o.o. - Estate Sp.k.	2007	100%	100%
36 Ronson Development Sp. z o.o. - Home Sp.k.	2007	100%	100%
37 Ronson Development Sp. z o.o. - Horizon Sp.k.	2007	100%	100%
38 Ronson Development Partner 3 Sp. z o.o. - Sakura Sp.k.	2007	100%	100%
39 Ronson Development Partner 3 sp. z o.o. – Viva Jagodno sp. k.	2009	100%	100%
40 Ronson Development Sp. z o.o. - Apartments 2011 Sp.k.	2009	100%	100%
41 Ronson Development Sp. z o.o. - Idea Sp.k.	2009	100%	100%

Consolidated Financial Statements for the year ended 31 December 2021

Notes to the Consolidated Financial Statements

1. Background and business of the Company (continued)

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		31 December 2021	31 December 2020
b. held indirectly by the Company :			
42 Ronson Development Partner 2 Sp. z o.o. – Destiny 2011 Sp.k.	2009	100%	100%
43 Ronson Development Partner 2 Sp. z o.o. - Enterprise 2011 Sp.k.	2009	100%	100%
44 Ronson Development Partner 2 Sp. z o.o. - Retreat 2011 Sp.k.	2009	100%	100%
45 Ronson Development Partner 5 Sp. z o.o. - Vitalia Sp.k.	2009	100%	100%
46 Ronson Development Sp. z o.o. - 2011 Sp.k.	2009	100%	100%
47 Ronson Development Sp. z o.o. - Gemini 2 Sp.k.	2009	100%	100%
48 Ronson Development Sp. z o.o. - Verdis Sp.k.	2009	100%	100%
49 Ronson Espresso Sp. z o.o.	2006	100%	100%
50 Retreat Sp. z o.o. ⁽⁵⁾	2010	-	100%
51 Ronson Development Nautica 2010 Sp. z o.o. ⁽⁵⁾	2010	-	100%
52 Ronson Development Sp. z o.o. - Naturalis Sp.k.	2011	100%	100%
53 Ronson Development Sp. z o.o. - Impressio Sp.k.	2011	100%	100%
54 Ronson Development Partner 3 Sp. z o.o. - Nowe Warzymice Sp. k.	2011	100%	100%
55 Ronson Development Sp. z o.o. - Providence 2011 Sp.k.	2011	100%	100%
56 Ronson Development Partner 2 Sp. z o.o. - Capital 2011 Sp. k.	2011	100%	100%
57 Ronson Development Partner 5 Sp. z o.o. - Miasto Marina Sp.k.	2011	100%	100%
58 Ronson Development Partner 5 Sp. z o.o. - City 1 Sp.k.	2012	100%	100%
59 Ronson Development Partner 2 Sp. z o.o. - Miasto Moje Sp. k.	2012	100%	100%
60 Ronson Development sp. z o.o. – Ursus Centralny Sp. k.	2012	100%	100%
61 Ronson Development Sp. z o.o. - City 4 Sp.k.	2016	100%	100%
62 Ronson Development Partner 2 Sp. z o.o. – Grunwald Sp.k.	2016	100%	100%
63 Ronson Development Sp. z o.o. Grunwaldzka” Sp.k.	2016	100%	100%
64 Ronson Development Sp. z o.o. - Projekt 3 Sp.k.	2016	100%	100%
65 Ronson Development Sp. z o.o. - Projekt 4 Sp.k.	2017	100%	100%
66 Ronson Development Sp. z o.o. - Projekt 5 Sp.k.	2017	100%	100%
67 Ronson Development Sp. z o.o. - Projekt 6 Sp.k.	2017	100%	100%
68 Ronson Development Sp. z o.o. - Projekt 7 Sp.k.	2017	100%	100%
69 Ronson Development Sp. z o.o. - Projekt 8 Sp.k.	2017	100%	100%
70 Bolzanus Limited (Company with the registered office in Cyprus)	2013	100%	100%
71 Park Development Properties Sp. z o.o. - Town Sp.k.	2007	100%	100%
72 Tras 2016 Sp. z o.o.	2011	100%	100%
73 Park Development Properties Sp. z o.o.	2011	100%	100%
74 Jasminova 2016 Sp. z o.o.	2016	100%	100%
75 Town 2016 Sp. z o.o.	2016	100%	100%
76 Enterprise 2016 Sp. z o.o.	2016	100%	100%
77 Wrocław 2016 Sp. z o.o.	2016	100%	100%
78 Darwen Sp. z o.o.	2017	100%	100%
79 Truro Sp. z o.o.	2017	100%	100%
80 Tregaron Sp. z o.o.	2017	100%	100%
81 Totton Sp. z o.o.	2017	100%	100%
82 Tring Sp. z o.o.	2017	100%	100%
83 Thame Sp. z o.o.	2017	100%	100%
84 Troon Sp. z o.o.	2017	100%	100%
85 Tywyn Sp. z o.o.	2018	100%	100%
86 Semela Sp. z o.o. ⁽⁸⁾	2021	100%	n/a
c. other not subject to full consolidation:			
87 Coralchief sp. z o.o.	2018	50%	50%
88 Coralchief sp. z o.o. - Projekt 1 sp. k.	2016	n/a	n/a
89 Ronson IS sp. z o.o.	2009	50%	50%
90 Ronson IS sp. z o.o. sp. k.	2012	n/a	n/a

- (1) The Company has the power to govern the financial and operating policies of this entity and to obtain benefits from its activities, whereas Kancelaria Radcy Prawnego Jarosław Zubrzycki holds the legal title to the shares of this entity.
- (2) Companies created and registered in KRS in first quarter of 2021
- (3) Companies created and registered in KRS in second quarter of 2021
- (4) Companies created and registered in KRS in third quarter of 2021
- (5) Companies merged with Ronson Development South Sp. z o.o. on 28 September 2021
- (6) Company merged with Tras 2016 Sp. z o.o. on 1 October 2021
- (7) Companies created and registered in KRS in fourth quarter of 2021
- (8) Company acquired on 14 December 2021 indirectly by Ronson Development SPV7 Sp. z o.o.

Notes to the Consolidated Financial Statements

2. Basis of preparation and measurement

(a) Basis of preparation and statement of compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS'). In light of the nature of the Group's activities, the IFRSs applied by the Group are not different from the IFRSs endorsed by the European Union, which are effective for the financial year ended 31 December 2021. The Group is aware about new standards and interpretations that have been issued but have not yet become effective. Information about standards and interpretations were presented below.

The Consolidated Financial Statements were authorized by the Boards of Directors of Ronson Development SE on 16 March 2022. These Consolidated Financial statements have been prepared on the assumption that the Group is a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations. The Company prepared Consolidated Financial Statements for the year ended 31 December 2021 in both English and Polish languages, while the Polish version is binding.

New and amended standards adopted by the Group

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS4 and IFRS 16 due to IBOR reform - the changes refer to the accounting issues that will arise when the financial instruments based on IBOR switch to the new interest rates. The amendments introduce a number of guidelines and exemptions, in particular, a practical simplification in case of changes in contracts that are required by the reform, which will be recognized by updating interest rates, exemption from the obligation to terminate hedge accounting, temporary exemption from the need to identify the risk component, and the obligation to include additional disclosures.

The changes mentioned above have been analyzed by the Management Board of the Company and concluded that the impact on Consolidated Statement of Financial Position, results from the operation activity of the Group or the range of information presented in this Consolidated Annual Financial Statement. All Group's financial instruments are based on WIBOR, which reform is conducted by the GPW Benchmark S.A. Company (Warsaw Stock Exchange) under the supervision of Komisja Nadzoru Finansowego and Komitet Stabilności Finansowej. Detailed information regarding assets and liabilities basing on variable rates are presented in Note 31.

WIBOR is already BMR compliant.

- Amendments to IFRS4: Implementation of IFRS 9 "Financial instruments". The amendment has no apply to the Group's operations.

The impact of the above amendments and improvements to IFRSs has been analyzed by the Management. Based on the assessment the amendments do not impact the Annual Financial Statements of the Company.

- Amendments to IFRS16: "Leasing".

Due to COVID-19 pandemic, in 2020 the amendments were introduced which provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. As any reduction in lease payments affects only payments due on or before 30 June 2021, in March 2021 the EU Commission extended the availability of the practical solution until June 2022. The amendment is effective from 1 April 2021 with the possibility of earlier application.

The mentioned above changes did not affect the amounts reported in previous periods and are not expected to have a material impact on the current or future periods.

Notes to the Consolidated Financial Statements

2. Basis of preparation and measurement (cont'd)

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, except for investment property which was measured at fair value. The methods used to measure fair values for the purpose of preparing the Consolidated Financial Statements are discussed further in Note 3(q), Note 13 and Note 27.

(c) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency') being Polish Zloty ('PLN'). Polish Zloty is the presentation currency of the Consolidated Financial Statements of the Group, and is also the functional currency of the parent company.

The Consolidated Financial Statements are presented in thousands of Polish Zloty, except when otherwise indicated.

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing-basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements, are described in the following notes:

- Note 13 – Investment property
- Note 15 – Deferred tax asset recognition
- Note 16 – Inventory and residential land bank
- Note 29 – Commitments and contingencies

The Company conducts residential units projects and developing activities in dedicated SPVs. The Company reflects in its Consolidated Financial Statements the activities and transactions related to such projects based on the substance rather than legal form. Such transactions are accounted for in accordance with IAS 2 and IFRS 15, whereby inventory is sold and revenue should be recognized after the criteria are met.

Recognition of revenue

The revenue from the sale of real estate (residential units, commercial units, etc.) is recognised at the moment when control over the real estate is transferred to the customer of said real estate together with the transfer of significant risks and rewards typical to the ownership rights. According to the Company's judgement this occurs at the moment of handover of the real estate to the customer, which is based on a handover document signed by both parties and subject to the condition that the customer has paid 100% of the sale price for the real estate. More information is presented in the Note 6 to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

2. Basis of preparation and measurement (cont'd)

(d) Use of estimates and judgments (cont'd)

Estimation of net realizable value for inventory and residential land bank

Inventory and residential land bank is stated at the lower of cost and net realizable value (NRV). NRV for completed inventory property (Finished goods) is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in the light of recent market transactions. NRV in respect of work in progress and residential land bank is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion. More information is presented in the Note 16 to the Consolidated Financial Statements.

Valuation of investment property

The fair value of the investment property is determined by independent real estate valuation experts based on the discounted cash flow approach. The determination of the fair value of the investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. More information is presented in the Note 13 to the Consolidated Financial Statements.

Valuation of lease liability

According to the IFRS 16 standard the Company the lease payments shall be discounted using the rate implicit in the lease contract, or if this rate cannot be readily determined, the Company's incremental borrowing rate. The Company decided to use incremental borrowing rate ('IBR') that was determined based on reference rate adjusted by margin. The IBR rate was built based on reference rate (30 years state bonds quotation) increased by margin which represents higher credit risk of the Company due to worse ratios, risk related to unusual length of potential financing and no possibility to establish security for such long-term financing. More information is presented in the Note 24 to the Consolidated Financial Statements.

Deferred tax asset recognition

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax strategies. More information is presented in the Note 15 to the Consolidated Financial Statements.

Uncertain tax treatment

Regulations regarding VAT, corporate profits tax and social security contributions are subject to frequent changes. These changes result in there being little point of reference and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies.

Tax and other settlements may be subject to inspection by administrative bodies authorized to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in Poland than in countries that have a more established taxation system. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the amend to the final decision of the tax authorities.

Notes to the Consolidated Financial Statements

2. Basis of preparation and measurement (cont'd)

(d) Use of estimates and judgments

Uncertain tax treatment continued

On 15 July 2016, amendments were made to the Tax Ordinance to introduce the provisions of General Anti-Avoidance Rules (GAAR). GAAR are targeted to prevent origination and use of fictitious legal structures set up to avoid payment of tax in Poland. GAAR define tax evasion as an activity performed mainly with a view to realising tax gains, which is contrary, under given circumstances, to the subject and objective of the tax law. In accordance with GAAR, an activity does not bring about tax gains, if its modus operandi was false. Any instances of (i) unreasonable division of an operation (ii) involvement of agents despite lack of economic rationale for such involvement, (iii) mutually exclusive or mutually compensating elements, as well as (iv) other activities similar to those referred to earlier may be treated as a hint of artificial activities subject to GAAR. New regulations will require considerably greater judgment in assessing tax effects of individual transactions.

The GAAR clause should be applied to the transactions performed after clause effective date and to the transactions which were performed prior to GAAR clause effective date, but for which after the clause effective date tax gains were realised or continue to be realised. The implementation of the above provisions will enable Polish tax authority challenge such arrangements realised by tax remitters as restructuring or reorganization.

The Group accounts for current and deferred tax assets and liabilities based on the requirements of IAS 12 Income taxes, based on taxable profit (tax loss), taxable base, carry-forward of unused tax losses and carry-forward of unused tax credits, and tax rates, while considering the assessment of uncertainty related to tax settlements. If uncertainty exists as to whether and to what extent tax authority will accept individual tax treatments of made transactions, the Group discloses these settlements while accounting for uncertainty assessment. No such cases occurred in 2021 and 2020, further details on taxes are disclosed in Note 11 and Note 15.

(e) Basis of consolidation

These Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Notes to the Consolidated Financial Statements

2. Basis of preparation and measurement (cont'd)

(e) Basis of consolidation (cont'd)

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The financial statements of subsidiaries are prepared for the same period as the financial statement of parent. The Group entities keep books of accounts in accordance with accounting policies specified in the Accounting Act dated 29 September 1994 ('the Accounting Act') with subsequent amendments and the regulations issued based on that Act (all together: 'Polish Accounting Standards'). These consolidated financial statements include a number of adjustments not included in the books of account of the Group entities, which were made in order to bring the financial statements of those entities in conformity with IFRSs as adopted by EU.

Where property is acquired, via corporate acquisitions or otherwise, the management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business or assets. Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, acquisitions are accounted for as business combinations.

3. Significant accounting policies

The accounting policies set out below have been applied consistently in all periods presented in these Consolidated Financial Statements.

(a) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates prevailing at the dates of the transactions using:

- the purchase or selling rate of the bank whose services are used by the Group – in case of foreign currency sales, as well in the case as of the debt or liability payment transactions;
- the average rate specified for a given currency by the National Bank of Poland as on the transaction date, unless a customs declaration or other binding document indicates another rate – in case of other transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(b) Revenue from contracts with customers

Revenues from the sale of residential units are recognized when (or as) the Group has satisfied a performance obligation by transferring a promised good to a customer, i.e. the revenues are recognized at point in time. A residential unit is transferred when (or as) the customer obtains control of the residential unit (i.e. upon signing of the protocol of technical acceptance and transfer of the key to the unit and payment of the entire amount resulting from the sale agreement), after receiving valid occupancy permit for the building based on hand-over protocol signed between the Group representatives and the customer and provided that the entire amount resulting from the sale agreement has been paid by the customer.

Advances received related to pre-sales of residential units, which represent deferred income, are deferred when they do not meet the criteria to be recognized as revenue. When they subsequently meet these criteria, they are recognized as revenue.

The Group recognizes the provision for the warranties separately. Warranty is treated as a separate performance obligation.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity.

Financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus transaction costs. In the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The classification and subsequent measurement of debt financial assets also depends on the Group's business model for managing the related assets portfolio.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

For the Group the first category is most relevant. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Assets to which above policy applies:

- Cash and cash equivalents,
- Cash on escrow classified as "other current financial asset",
- Loan receivables,
- Trade receivables.

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two steps. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

Financial assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Loans and borrowings is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

The financial instruments of the Group are classified into one of the following categories:

Category	Statement of financial position item	Measurement
Assets measured at amortized costs	Other current financial assets	Amortized cost method
	Loans granted to joint ventures	Amortized cost method
	Cash and cash equivalent	Amortized cost method
	Trade and other receivables and prepayments	Amortized cost method
Liabilities measured at amortized costs	Bond loans	Amortized cost method
	Secured bank loans	Amortized cost method
	Trade and other payables and accrued expenses	Amortized cost method

(d) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(d) Property and equipment (cont'd)

(ii) Depreciation

Depreciation is calculated on the straight-line basis over the estimated useful life of each component of an item of property and equipment.

The estimated useful life of property and equipment, depending on the class of asset, ranges as below:

- Buildings: from 5 to 40 years.
- Equipment: from 2,5 to 10 years
- Cars: approximately up to 5 years
- Other tangible assets: from 2 to 5 years
- Intangible assets: from 2 to 5 years

Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date, and adjusted prospectively since the beginning of the following year, if appropriate.

(e) Leases

The Group recognizes assets and liabilities resulting from leases with a period exceeding 12 months, unless the underlying asset is of low value. The only material lease agreements with a period exceeding 12 months into which the Group has entered, are the rights of perpetual usufruct of real estate properties.

The method of valuation and presentation of lease in the Group's financial statements

The Group recognizes a lease liability, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of signing the lease contract. The Group recognizes the respective right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognized immediately before the commencement date. The Group has decided to present right-of-use assets under the same item in the Consolidated Statement of Financial Position, under which the relevant underlying assets would be presented if they were owned by the Group. The lease liabilities are presented separately from other liabilities in long term liabilities with respect to lease of investment properties and short term liabilities with respect to lease of inventory.

The right of perpetual usufruct of land related to residential projects:

Assets - was recognized in the Consolidated Statement of Financial Position under "Inventory".

Liabilities - was presented in the Consolidated Statement of Financial Position as a short term under "Lease liabilities related to perpetual usufruct of land".

Costs - the Group depreciates the right of use asset on straight line basis over the lease period. On the other hand the Group recognizes finance expense to reflect interest expense on lease liability. Those costs are capitalized to Inventory as long as development project qualifies for capitalization.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(e) Leases (cont'd)

The right of perpetual usufruct of land related to residential projects (cont'd):

Derecognition – at the moment occupancy permit is issued the Group becomes the owner of the land (based on The Act of July 20, 2018 on transformation of the right of perpetual usufruct of land built for housing purposes into the ownership right of these lands). Since then the Group is no longer liable for perpetual usufruct fees but pays conversion fees. At the moment occupancy permit is issued and revenue from the sale of residential units is recognized (when the performance obligations are satisfied and when the customer obtains control of the good, i.e. upon signing of the protocol of technical acceptance and the transfer of the key to the buyer of the residential unit and total payment obtained) the liability for conversion fee and related asset are reclassified to other payables and other receivables and are presented under "Trade and other payables and accrued expenses" and "Trade and other receivables and prepayments" respectively. The Group is legally released from the obligation to pay conversion fees only upon signing the final notary deed for transferring the ownership of unit together with share in the land to the client. Carrying amounts of receivables and payables are derecognized from Consolidated Statement of Financial Position once final notary deeds are signed with clients.

Despite the fact that based on the Group's core business the operating cycle of inventory is on average 5 years i.e. plots of land are purchased for the purpose of the development of residential projects and transferring the ownership of the units together with share in the land to the client. Under IFRS 16 the Group is not allowed to consider the period for which the Group expects to be the usufructuary despite the fact that the period is quite precisely known. Therefore once lease liabilities are recognized, the Group is required to discount all future payments resulting from the right of perpetual usufruct for the period for which the right is granted to individual properties (it can be up to 99 years). Following the requirements of IFRS 16 the Group recognize lease liabilities of which majority will not be paid by the Group.

The right of perpetual usufruct of investment properties:

Assets - was recognized in the statement of financial position under "Investment properties".

Liabilities - was presented in the statement of financial position as a long term under "Lease liabilities related to perpetual usufruct of investment property".

Costs - the Group fair values the right of use asset at each balance sheet date and recognizes finance expense to reflect interest expense on lease liability.

Other leases

Assets – the right of use assets (cars) was recognized in the statement of financial position under "Property and equipment" less accrued depreciation.

Liabilities - was presented in the statement of financial position as a long term under "Lease liabilities related to perpetual usufruct of investment property" less repayment of capital part of the lease.

Costs - the Group depreciates the right of use asset on straight-line basis for the full duration of the lease at each balance sheet date and recognizes finance expense to reflect interest expense on lease liability.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(f) Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequently to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of comprehensive income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequently accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(g) Residential land bank and Inventories

The Group estimates that an operating cycle for projects/stage of a big project lasts for about 5 years. The operating cycle is divided into two phases: (i) the pre-construction preparation phase lasting about 3 years (obtaining necessary site permits, environmental decisions or construction permits, designing, etc.), and (ii) construction phase lasting also about 2 years.

When a project is within the operating cycle the project presented as short-term assets under inventory, in other cases the project presented as long-term under Residential land bank.

Inventories are valued at the purchase price plus capitalized costs incurred during preparation for project implementation, however, not higher than the net realizable value from the sale. The purchase price includes costs incurred in connection with construction of the project.

Inventories consists of real estate projects related to realization of multi-family block of flats or detached houses for individual clients.

(i) Inventory

Inventory is measured at cost increased by capitalized costs incurred relating to the preparation of the projects for construction, in the value not higher than the net realizable value. The cost of inventory includes expenditure incurred relating to the construction of a project.

Inventory comprises residential real estate projects to individual customers.

Costs relating to the construction of a project are included in inventory of residential units as follows:

- costs incurred relating to projects or a stage of a project which are not available for sale (work in progress),
- costs incurred relating to units unsold associated with a project.

Project construction costs include:

- a) land or leasehold rights for land,
- b) construction costs paid to the general contractor building the residential project,
- c) planning and design costs,
- d) perpetual usufruct fees and real estate taxes incurred during the period of construction,
- e) borrowing costs to the extent they are directly attributable to the development of the project,
- f) professional fees attributable to the development of the project,
- g) construction overheads and other directly related costs.
- h) lease assets, see note 3 (e).

Inventory is recognized as a cost of sales in the statement of comprehensive income when the sale of residential units is recognized.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(g) Residential land bank and Inventories

(ii) Residential land bank

Long-term part of the land bank (if a commencement of construction phase is not planned within the period of 3 years from the reporting date) is presented in non-current assets of the consolidated statement of financial position, as "Residential land bank", whereas short-term part of the land bank is presented in current assets of the consolidated statement of financial position, in inventory balance. Residential land bank is measured at cost increased by capitalized costs incurred relating to the preparation of the projects for construction, in the value not higher than the net realizable value.

(h) Equity

(i) Share capital

Share capital includes the proceeds received from the issue of ordinary shares on the nominal value in exchange for cash.

(ii) Share premium

Share premium includes the excess of proceeds received from the issue of shares over the nominal value of shares. Shares issuance costs are deducted from the share premium.

(iii) Treasury shares

Own shares that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(i) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. The computations of the basic earnings per share are determined on the basis of the weighted average number of shares outstanding during the year. The diluted earnings per share are determined by adjusting the statement of comprehensive income and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted and rights to obtain shares by employees.

(j) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's or a cash generating unit's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash generating unit exceeds its recoverable amount.

The recoverable amount of an asset or a cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(k) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(l) Borrowing costs

Borrowing costs directly attributable to the inventory of properties which necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of the respective assets.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized equals the gross interest incurred on those borrowings. Interest is capitalized as from the commencement of the development work until the date of completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted.

(m) Income tax expense

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax expense is calculated according to tax regulations in effect in the jurisdiction in which the individual companies are domiciled.

Deferred income tax is provided, using the balance sheet method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and for tax losses carried forward, except for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. At each reporting date deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(n) Other current financial assets

Other current financial assets in the statement of financial positions comprise only of funds deposited on escrow accounts. The separate line was created due to new legal regulations "Act on the Protection of Rights of a Dwelling Unit or House Buyer" which resulted in the need to open individual escrow accounts for advances paid by the customers of the Group for the purchases of apartments. Amounts collected on individual escrow accounts are measured at amortised cost less expected credit losses.

(o) Cash and cash equivalents

Cash and cash equivalents in the statement of financial positions comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, except for collateralized deposits.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are measured at amortised costs less expected credit losses.

(p) Employee benefits

Obligations for contributions to defined contribution pension plans are recognized as an expense in the statement of comprehensive income as incurred.

The Company's subsidiaries are required, under applicable regulations, to pay, on a monthly basis, social security contributions for the employees' future pension benefits. These benefits, according to IAS 19 'Employee Benefits', are state plans and are characterized as defined contribution plans. Therefore, the Company's subsidiaries have no legal or constructive obligation to pay future pension benefits and their obligation is limited to payment of contributions as they fall due.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(q) Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. Upon making an investment in an associate or joint venture, the amount by which the costs of such investment exceed the value of the Group's share in the net fair value of identifiable assets and liabilities of this entity is recognized as goodwill and included in the carrying amount of the underlying investment.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in Other comprehensive income of joint ventures are presented as part of the Group's Other comprehensive income. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss as 'Share of profit/(loss) of a joint venture' in the statement of profit or loss.

Upon loss of joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

(r) Fair Value

The Group measures investment properties at fair value at each balance sheet date. In addition, fair values of financial instruments measured at amortized cost are disclosed in Note 13 and Note 28.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Notes to the Consolidated Financial Statements

3. Significant accounting policies continued

(r) Fair Value (cont'd)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4. Segment reporting

The Group's operating segments are defined as separate entities developing particular residential projects, which for reporting purposes were aggregated. The aggregation for reporting purpose is based on geographical locations (Warsaw, Poznań, Wrocław and Szczecin) and type of activity (development of apartments, development of houses). Moreover, for one particular assets the reporting was based on type of income: rental income from investment property or from so-called Private Rent Sector. The segment reporting method requires also the Company to present separately joint venture within Warsaw segment. There has been no changes in the basis of segmentation or in the basis of measurement of segment profit or loss from the last annual financial statements. There is no aggregation of the services to one Client, the revenue is distracted to many clients, mostly individual clients.

According to the Management Board's assessment, the operating segments identified have similar economic characteristics. Aggregation based on the type of development within the geographical location has been applied since primarily the location and the type of development determine the average margin that can be realized on each project and the project's risk factors. Considering the fact that the construction process for apartments is different from that for houses and considering the fact that the characteristics of customers buying apartments slightly differ from those of customers interested in buying houses, aggregation by type of development within the geographical location has been used for segment reporting and disclosure purposes.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated indirectly based on reasonable criteria. Unallocated assets comprise mainly unallocated cash and cash equivalents and income tax assets. Unallocated liabilities comprise mainly income tax liabilities and Bond loans. The unallocated result (loss) comprises mainly head office expenses. IFRS adjustments represents the elimination of the Joint venture segment for reconciliation of the profit (loss), assets and liabilities to the consolidated numbers. Joint ventures are accounted using the equity method.

The results of activities in the individual segments are assessed mainly on the basis of sale revenues, cost of sales of residential projects, assigned marketing costs and others operating costs/income assigned to each segment. Additionally the Group analyses the profit and gross margin on sales as well as result before tax (including financial costs and income assigned to the segment) generated by the individual markets.

Consolidated Financial Statements for the year ended 31 December 2021

Notes to the Consolidated Financial Statements

4. Segment reporting (cont'd)

Data presented in the table below are aggregated by type of development within the geographical location:

In thousands of Polish Zlotys (PLN) As at 31 December 2021

	Warsaw				Poznań		Wroclaw		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Segment assets	546,714	85,181	19,914	30,449	116,951	-	45,403	-	97,797	-	-	(15,749)	926,660
Unallocated assets	-	-	-	-	-	-	-	-	-	-	39,937	-	39,937
Total assets	546,714	85,181	19,914	30,449	116,951	-	45,403	-	97,797	-	39,937	(15,749)	966,597
Segment liabilities	218,314	952	547	1,329	6,064	-	11,413	-	28,594	-	-	(547)	266,666
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	279,886	-	279,886
Total liabilities	218,314	952	547	1,329	6,064	-	11,413	-	28,594	-	279,886	(547)	546,552

In thousands of Polish Zlotys (PLN) As at 31 December 2020

	Warsaw				Poznań		Wroclaw		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Segment assets	417,474	224,241	57,143	9,797	39,602	-	86,106	-	72,486	-	-	(47,202)	859,648
Unallocated assets	-	-	-	-	-	-	-	-	-	-	78,119	-	78,119
Total assets	417,474	224,241	57,143	9,797	39,602	-	86,106	-	72,486	-	78,119	(47,202)	937,767
Segment liabilities	187,191	64,058	48,937	1,552	5,601	-	45,123	-	11,047	-	-	(48,937)	314,572
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	243,378	-	243,378
Total liabilities	187,191	64,058	48,937	1,552	5,601	-	45,123	-	11,047	-	243,378	(48,937)	557,950

Consolidated Financial Statements for the year ended 31 December 2021

Notes to the Consolidated Financial Statements

4. Segment reporting (cont'd)

		For the year ended 31 December 2021												
		Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
		Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Revenue/Revenue from Clients⁽¹⁾⁽²⁾	275,389	29,166	67,639	697	19,322	-	92,739	-	63,586	-	-	(67,639)	480,899	
Segment result	50,088	5,540	14,600	(82)	(244)	-	18,751	-	2,547	-	-	(14,600)	76,600	
Unallocated result	-	-	-	-	-	-	-	-	-	-	(17,365)	-	(17,365)	
Result from operating activities	50,088	5,540	14,600	(82)	(244)	-	18,751	-	2,547	-	(17,365)	(14,600)	59,235	
Net finance income/(expenses)	(145)	(85)	(151)	25	(33)	-	(52)	-	(118)	-	(3,403)	151	(3,812)	
Profit/(loss) before tax	49,943	5,455	14,449	(57)	(277)	-	18,699	-	2,429	-	(20,768)	(14,449)	55,424	
Income tax expenses													(15,077)	
Profit for the year													40,347	

(1) Revenues are recognised at the moment when control over the real estate is transferred to the buyer, which is based on a signed technical acceptance protocol, handover the keys to the buyer and reception of full payment.

(2) Revenues from the sale of land and from the sale of services are appropriately allocated to a given segment, i.e. the sale of the Naturalis project was allocated to the Warsaw segment - apartments in accordance with the land development conditions, revenues from services were allocated to the Warsaw - Apartments segment as they relate to the re-invoicing of services provided for JV Wilanów Tulip, which investment concerns apartments in Warsaw

		For the year ended 31 December 2020												
		Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
		Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Revenue/Revenue from Clients⁽¹⁾⁽²⁾	186,290	28,027	2,065	747	82,924	-	46,600	-	56,645	-	-	(2,065)	401,233	
Segment result	62,931	4,405	(911)	(260)	17,648	-	(395)	-	994	-	-	911	85,322	
Unallocated result	-	-	-	-	-	-	-	-	-	-	(30,169)	-	(30,169)	
Result from operating activities	62,931	4,405	(911)	(260)	17,648	-	(395)	-	994	-	(30,169)	911	55,153	
Net finance income/(expenses)	(275)	(450)	(533)	(49)	(44)	-	(414)	-	(110)	-	(3,269)	533	(4,611)	
Profit/(loss) before tax	62,655	3,955	(1,444)	(309)	17,604	-	(809)	-	884	-	(33,438)	1,444	50,542	
Income tax expenses													(10,399)	
Profit for the year													40,143	

(1) Revenues are recognised at the moment when control over the real estate is transferred to the buyer, which is based on a signed technical acceptance protocol, handover the keys to the buyer and reception of full payment.

Notes to the Consolidated Financial Statements

5. Acquisition of the Nova Królikarnia project

During the year 2019, the Company (via its subsidiary) exercised first and second call option under the Call Option Agreements for the total price of PLN 33.9 million and PLN 35.1 million, respectively. Additionally, on 9 April 2020, the Company (via its subsidiary) exercised that last (third) call option under the Call Option Agreement in total amount of PLN 9.9 million. All payments concerning realization of all three call options were made according to the abovementioned schedule. As at 31 December 2020 and 31 December 2021 all payables related to Acquisition of Nova Królikarnia Project were settled.

6. Sales revenue and cost of sales

The majority of Group's revenues are generated through development and sale of units, primarily apartments, in residential real-estate projects to individual customers in Poland ("residential units"). The Group recognizes revenues at the moment performance obligations are satisfied. According to Group's policy the performance obligation is satisfied at the moment, the residential unit is handed over to the customer, which happens only after construction process is finalized and issuance of occupancy permit, based on hand-over protocol signed between the Group representatives and the customer and provided that the entire amount resulting from the sale agreement has been paid by the customer. The agreements with the customers do not contain variable considerations. The agreements, in the opinion of the Group, do not contain a significant financing component. Based on such characteristics of revenues, the Group, as a rule, does not present any receivables or other contract assets, except for costs to obtain the contract, capitalized to prepayments. Contract liabilities, are reflected by advances received, which are disclosed in the Note 26.

For the year ended 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Sales revenue		
Revenue from residential projects	457,677	400,257
Revenue from the sale of land	22,500	-
Revenue from sale of services	722	976
Total sales revenue	480,899	401,233
Cost of sales		
Cost of sales residential projects	(369,299)	(313,698)
Cost of sales of land	(24,976)	-
Inventory write down to the net realisable value	(1,924)	(1,325)
Total cost of sales	(396,199)	(315 023)
Gross profit on sales	84,700	86,210
Gross profit on sales %	18%	21%

Land for sale

On 28 September 2021 Management Board decided to sale the real estate property. The reason for selling the plot was due to the analysis made on the profitability of project and based on the investigation made by the Company during execution of next stages of the project, additional costs and difficulties may appear that may result in executing this project with a loss. The selling price was set for PLN 22,500,000 based on the offer received from the Buyer. As at 31 December 2021 full price has been paid by the Buyer.

The below table presents the net result on the sale of the plot:

As at 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Selling price of the plot	22,500	-
Carrying amount of net assets sold	24,976	-
Net result on the sale	(2,476)	-

Consolidated Financial Statements for the year ended 31 December 2021

Notes to the Consolidated Financial Statements

6. Sales revenue and cost of sales (cont'd)

The table below presents breakdown of revenue from residential units per project

For the year ended 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Panaromika VI	15,675	-
Vitalia III	45,816	-
Ursus Centralny Ia	56,951	-
Viva Jagodno I	43,887	-
Nova Królikarnia 3a	35,691	-
Nova Królikarnia 3b	26,435	-
Nova Królikarnia 3c	26,712	-
Nowe Warzymice I	16,537	-
Ursus Centralny IIa	24,114	-
Miasto Moje IV	46,863	-
City Link III	15,467	149,448
Grunwald2	15,923	80,916
Miasto Marina	2,132	46,485
Panoramika IV	786	28,888
Miasto Moje III	34,893	33,388
Panoramika V	8,064	27,757
Nova Królikarnia 2c	27,095	18,584
Miasto Moje I&II	1,704	1,446
Nova Królikarnia 2b	2,071	4,074
Nova Królikarnia 1d	-	2,237
Młody Grunwald I & II	2,449	1,248
Other	8,412	5,786
Total revenue from residential projects	457,677	400,257

The table below presents breakdown of costs of sales allocated to projects:

For the year ended 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Panaromika VI	14,573	-
Vitalia III	37,533	-
Ursus Centralny Ia	47,106	-
Viva Jagodno I	32,857	-
Nova Królikarnia 3a	30,255	-
Nova Królikarnia 3b	23,432	-
Nova Królikarnia 3c	22,661	-
Nowe Warzymice I	13,507	-
Ursus Centralny IIa	18,245	-
Miasto Moje IV	32,301	-
City Link III	9,204	91,999
Grunwald2	12,088	62,265
Miasto Marina	2,015	46,472
Panoramika IV	780	28,639
Miasto Moje III	29,049	27,546
Panoramika V	7,386	27,034
Nova Królikarnia 2c	23,945	16,856
Miasto Moje I&II	1,246	1,127
Nova Królikarnia 2b	1,862	3,676
Nova Królikarnia 1d	-	1,845
Młody Grunwald I & II	2,534	1,199
Other	6,719	5,041
Total cost of sales	369,299	313,698

Consolidated Financial Statements for the year ended 31 December 2021**Notes to the Consolidated Financial Statements****7. Selling and marketing expenses**

For the year ended 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Advertising	3,403	4,684
Depreciation	464	385
Other	892	859
Total selling and marketing expenses	4,760	5,928

8. Administrative expenses

For the year ended 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
	<i>Note</i>	
Personnel expenses	17,035	15,762
- Wages	14,974	13,746
- Social security and other employee benefits	2,061	2,016
External services	3,085	3,007
Consulting fees to main shareholder	862	865
Materials and energy	735	628
Depreciation	436	644
Taxes and charges	1,036	1,336
Other	487	300
Total administrative expenses	23,676	22,542

Average number of employees during the year	78	74
--	-----------	-----------

9. Other expenses

For the year ended 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Maintenance expense of unsold units	1,430	1,463
Cost of repairs and defects	1,704	548
Expense for contractual penalties and compensation	435	106
Write-down of trade receivables	344	1,081
Cost of research and due diligence of new projects	624	-
Other expenses	321	202
Total other expenses	4,857	3,401

10. Other income

For the year ended 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Revenues from contractual penalties and compensation	184	299
Rental income from inventory	518	455
Net profit on sale of property and equipment	39	321
Reversal of accruals	606	-
Income from participation of other developers in roads development (Skanska)	722	-
Other income	294	847
Total other income	2,363	1,923

Consolidated Financial Statements for the year ended 31 December 2021**Notes to the Consolidated Financial Statements****11. Income tax charges**

For the year ended 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Current tax		
Current period	10,475	12,892
Taxation in respect of previous periods	(192)	(334)
Total current tax expense	10,283	12,558
Deferred tax		
Origination and reversal of temporary differences	5,589	(792)
Tax losses utilized/(recognized)	(795)	(1,367)
Total deferred tax expense/(benefit)	4,794	(2,159)
Total income tax expense	15,077	10,399
For the year ended 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Profit for the year	40,347	40,143
Total income tax charge	15,077	10,399
Profit before income tax	55,424	50,542
Expected income tax using the Polish tax rate (19%)	10,531	9,603
<i>Tax effect on:</i>		
Taxes in respect of previous periods	(192)	(334)
Non-deductible expenses, net	1,818	368
Movement in unrecognized deferred tax assets on loss carry forward in Poland	119	315
Movement in unrecognized deferred tax in previous years	127	-
Change on deferred tax asset in connection with the organizational restructuring of the Group	2,603	(452)
Reversal of surplus in Nova Transaction ⁽¹⁾	-	735
Impact on JV result	(1,095)	-
Deferred tax asset write-off on tax losses	947	506
Other differences	219	(342)
Tax expense/(benefit) for the period	15,077	10,399
Effective tax rate	27.20%	20.57%

(1) The surplus between the purchase price (including transaction cost) and the net assets value of Nova Group as the transaction date, was allocated to the inventory, in relation to which the provision for deferred income tax was not recognized on the basis of an exception (IAS 12 par. 15 (b)).

Consolidated Financial Statements for the year ended 31 December 2021**Notes to the Consolidated Financial Statements****12. Property and equipment****For the year ended 31 December 2021**

<i>In thousands of Polish Zlotys (PLN)</i>	Vehicles	Equipment	Building	Total
Cost or deemed cost				
Balance at 1 January	1,030	3,444	10,105	14,579
Rights of use of assets (cars)	353	-	-	353
Transfer to Inventory			(944)	(944)
Sales and disposals	(106)	-	-	(106)
Closing balance	1,277	3,444	9,161	13,882
Depreciation and impairment losses				
Balance at 1 January	608	2,960	2,214	5,782
Depreciation for the period	129	430	285	844
Transfer to Inventory	-	-	(196)	(196)
Sales and disposals	(106)	-	-	(106)
Closing balance	631	3,390	2,303	6,324
Carrying amounts				
At 1 January	422	484	7,891	8,797
Closing balance	646	54	6,858	7,558

For the year ended 31 December 2020

<i>In thousands of Polish Zlotys (PLN)</i>	Vehicles	Equipment	Building	Total
Cost or deemed cost				
Balance at 1 January	1,510	3,374	8,632	13,516
Additions	-	70	1,473	1,543
Sales and disposals	(480)	-	-	(480)
Closing balance	1,030	3,444	10,105	14,579
Depreciation				
Balance at 1 January	582	2,435	1,947	4,964
Depreciation for the period	237	525	267	1,029
Sales and disposals	(211)	-	-	(211)
Closing balance	608	2,960	2,214	5,782
Carrying amounts				
At 1 January	928	939	6,685	8,552
Closing balance	422	484	7,891	8,797

As at 31 December 2020, the Property for the amount of PLN 6,489 thousands was used to secure bond loans series R. As at 31 December 2021 none of the Property and equipment was secured for bond loans or secured bank loans.

Impairment loss

In the years ended 31 December 2021 and 31 December 2020, the Group did not recognize any impairment loss with respect to property and equipment.

Notes to the Consolidated Financial Statements

13. Investment property

For the year ended 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance at 1 January	8,956	10,098
Perpetual usufruct (IFRS16) movements	(8)	(8)
Purchase of investment property land	19,944	-
Transfer to Property and equipment	-	(827)
Change in fair value during the year	(297)	(307)
Balance as at 31 December, including:	28,596	8,956
<i>Cost</i>	<i>23,590</i>	<i>3,646</i>
<i>Perpetual usufruct (IFRS16)</i>	<i>537</i>	<i>545</i>
<i>Fair value adjustments</i>	<i>4,468</i>	<i>4,765</i>

As at 31 December 2021, the investment property included:

- property held for long-term rental yields and capital appreciation, and were not occupied by the Group;
- investment land purchased to build investment property for long-term so-called institutional rental and capital appreciation.

Investment property at Gwiaździsta street (Office building)

The investment property consists of a plot of land located in Warsaw (71, Gwiaździsta Street) and an office building with an aggregate usable floor space of 1,318 m² located on this plot that is leased to third parties under lease agreements with an indefinite term subject to a three-month notice period for termination (“Bielany IP”).

Investment property is valued at fair value determined as at 31 December 2021 by an independent appraiser, having an appropriate recognized professional qualification using the method of discounted cash flows. As at 31 December 2020, the fair value of Investment property was determined by the Management.

As at 31 December 2021, the Bielany IP was valued based on the discounted cash flow approach, including the assumption as to an annual discount rate of 7% (during a 6 year forecast period), a capitalization exit yield of 7%, a monthly rate of PLN 43,89 per m². If the yields used for the appraisals of investment property on 31 December 2021, had been 100 basis points higher than was the case at that time, the value of the investments would have been 4.8% lower. In this situation, the Company’s shareholders’ equity would have been PLN 390 thousand lower.

During the year ended 31 December 2021 and 2020 the rental income from investment property amounted to PLN 559 thousand and PLN 502 thousand, respectively. The investment properties are currently occupied. In 2021, direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period amounted to PLN 277 thousands and direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period amounted to PLN 100 thousand.

The investment properties were used to secure bond loans series R in the year ended 31 December 2020. As at 31 December 2021 the above investment property was used to secure none bond loans.

Investment property – land

In 2021, the Group purchased two lands which, by the decision of the Management Board, will be used for the construction and development of the Group’s new activity, the so-called institutional rental:

- 1) land located at ul. Gallop 9 in Warsaw – land was purchased on 29 November 2021 for PLN 7.5 million;
- 2) land located at ul. Poleczki 5 in Warsaw – land was purchased on 25 November 2021 for the amount of PLN 11.2 million.

The lands were bought under market conditions. The Group made an independent assessment and concluded that the transaction price reflects the market value as at 31 December 2021.

Notes to the Consolidated Financial Statements

14. Investments in joint ventures

As at 31 December

<i>In thousands of Polish Zlotys (PLN)</i>	2021	2020
Loans granted	319	11,634
Share in net equity value of joint ventures	3,846	(1,693)
The Company's carrying amount of the investment	4,165	9,941
Presented as Loans granted to joint ventures (current assets)	(319)	(1,039)
Investment in joint ventures	3,846	8,902

Share of profit/(loss) from joint ventures

The Investment in joint ventures comprise the Company's 50% interest in four joint ventures companies:

- Ronson IS sp. z o.o. and in Ronson IS Sp. z o.o. Sp.k., both involved in the development and sale of residential units in Warsaw known as City Link I and II,
 - Coralchief Sp. z o.o. and Coralchief Sp. z o.o. – Projekt 1 Sp.k. which are running the Wilanów Tulip project.
- The investments in joint ventures are accounted for using the equity method.

The table below present the movements in the share in net equity value of joint ventures:

As at 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Opening balance	(1,693)	(572)
Net result from joint venture during the period	5,579	(1,121)
Cancelling of net results of the joint venture with inter-company interest during the period	184	318
Share of profit/(loss) of joint ventures	5,763	(803)
Dividend paid	-	-
Closing balance before offsets	4,070	(1,375)
Cancelling of the offset of intercompany interest accrued during the period	(224)	(318)
Total closing balance	3,846	(1,693)

Notes to the Consolidated Financial Statements

14. Investments in joint ventures continued

Share of profit/(loss) from joint ventures

Summarised financial information of the joint ventures is presented below:

For the year ended 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Assets		
Fixed assets	-	40
Inventory	14,239	52,026
Cash and cash equivalents	4,441	1,942
Other current financial assets	1,262	3,177
Liabilities		
Loans from shareholders	(631)	(28,476)
Advances received	(5,116)	(24,760)
Other liabilities	(6,504)	(7,335)
Equity	7,691	(3,386)
Company share	3,846	(1,693)

The summarised statement of comprehensive income of the joint ventures in aggregate is as follows:

For the year ended 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Revenue	67,639	2,065
Cost of sales	(52,315)	(1,511)
Gross profit	15,324	554
Administrative expenses ⁽¹⁾	(775)	(1,123)
Selling and marketing expenses	(434)	(627)
Other income/(cost)	114	(215)
Finance income	5	12
Finance expense	(454)	(843)
Profit/(loss) before taxation	13,780	(2,242)
Income tax benefit/(expense)	(2,622)	-
Profit for the year (continuing operations)	11,158	(2,242)
Total comprehensive income for the year (continuing operations)	11,158	(2,242)
The Company's share of profit/(loss) for the year	5,579	(1,121)

(1) Including management fee to the Group amounting to 720 thousand and PLN 976 thousand during the year ended 31 December 2021 and 31 December 2020, respectively.

Notes to the Consolidated Financial Statements

14. Investments in joint ventures continued

Loans granted to the joint ventures

The table below present the movements of the loans granted to the joint ventures.

As at 31 December

<i>In thousands of Polish Zlotys (PLN)</i>	2021	2020
Opening balance	11,634	13,166
Loans granted	117	1,126
Loans repaid	(10,564)	(3,107)
Accrued interest	377	595
Interest paid	(1,244)	(146)
Total closing balance	319	11,634

As at 31 December 2021 the amount of loans granted to joint ventures were presented as short-term assets in the aggregate amount of PLN 319 thousand. The short term loans granted to joint ventures cannot be regarded as a part of the investment in joint ventures and are presented in the Consolidated Statement of the Financial Position under current assets as Loans granted to joint ventures.

The loans granted to joint venture bear a variable rate of WIBOR 3M plus 4% margin.

Consolidated Financial Statements for the year ended 31 December 2021**Notes to the Consolidated Financial Statements****15. Deferred tax assets and liabilities****Recognized deferred tax assets and liabilities**

Deferred tax assets and liabilities as at the beginning and end of the financial periods are attributable to the following:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2021	Recognized in the statement of comprehensive income	Closing balance 31 December 2021
Deferred tax assets			
Tax loss carry forward	3,491	795	4,285
Difference between tax and accounting basis of inventory	16,454	3,965	20,420
Accrued interest	3,126	(1,240)	1,885
Accrued expense	719	41	760
Write-down of inventory and residential land bank	2,041	569	2,610
Other*	4,663	(2,710)	1,953
Total deferred tax assets	30,494	1,419	31,913
Deferred tax liabilities			
Difference between tax and accounting revenue recognition	20,666	6,887	27,553
Difference between tax base and carrying value of capitalized finance costs on inventory	8,573	(965)	7,608
Accrued interest	166	469	635
Fair value gain on investment property	1,031	(56)	975
Other	582	(121)	461
Total deferred tax liabilities	31,018	6,213	37,231
Total deferred tax benefit (see Note 11)		4,794	
Deferred tax assets	30,494		31,913
Deferred tax liabilities	31,018		37,231
Offset of deferred tax assets and liabilities for individual companies	(21,457)		(23,718)
Deferred tax assets reported in the Consolidated Statement of Financial Position	9,037		8,195
Deferred tax liabilities reported in the Consolidated Statement of Financial Position	9,562		13,513

* Including deferred tax asset from contributions.

From the above amounts before offset PLN 28,812 thousand of deferred tax liability and PLN 21,388 thousand of deferred tax asset will be realized in the next 12 months.

Consolidated Financial Statements for the year ended 31 December 2021

Notes to the Consolidated Financial Statements

15. Deferred tax assets and liabilities continued

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2020	Recognized in the statement of comprehensive income	Closing balance 31 December 2020
Deferred tax assets			
Tax loss carry forward	2,124	1,367	3,491
Accrued interest	3,704	856	4,560
Accrued expense	657	62	719
Write-down of inventory and residential land bank	2,452	(850)	1,602
Other*	4,106	(438)	3,668
Total deferred tax assets	13,043	997	14,040
Deferred tax liabilities			
Difference between tax base and carrying value of inventory	13,732	(947)	12,785
Accrued interest	437	(271)	166
Fair value gain on investment property	1,042	(11)	1,031
Other	515	67	582
Total deferred tax liabilities	15,726	(1,162)	14,564
Total deferred tax benefit		(2,159)	
Deferred tax assets	13,043		14,040
Deferred tax liabilities	15,726		14,564
Offset of deferred tax assets and liabilities for individual companies	(6,108)		(5,003)
Deferred tax assets reported in the Consolidated Statement of Financial Position	6,935		9,037
Deferred tax liabilities reported in the Consolidated Statement of Financial Position	9,618		9,562

* Including deferred tax asset from contributions.

Realization of deferred tax assets

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax strategies in making this assessment. In order to fully realize the deferred tax asset (before offsetting against deferred tax liability), the Group will need to generate future taxable income of approximately PLN 167,962 thousand. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible. The management believes there is a higher probability that the Group will realize the benefits of these deductible differences. The amount of the deferred tax asset which is considered realizable, could however be reduced in the near term if estimates of future taxable income during the tax loss carry-forward period are reduced.

Tax losses in Poland are required to be utilized within 5 years following the period in which they originated, subject to the limitation that a maximum of 50% of the loss carry-forward can be used in one year.

Consolidated Financial Statements for the year ended 31 December 2021

Notes to the Consolidated Financial Statements

15. Deferred tax assets and liabilities continued

Tax losses carry forward

As at 31 December	2021			2020		
<i>In thousands of Polish Zlotys (PLN)</i>	Recognized tax losses	Unrecognized tax losses	Total tax losses	Recognized tax losses	Unrecognized tax losses	Total tax losses
Tax loss 2016 carried forward	-	-	-	2	126	129
Tax loss 2017 carried forward	1,596	4,817	6,413	6,318	87	6,405
Tax loss 2018 carried forward	2,865	414	3,278	3,228	222	3,450
Tax loss 2019 carried forward	1,642	1,375	3,017	2,894	610	3,504
Tax loss 2020 carried forward	3,634	2,386	6,020	5,931	2,880	8,811
Tax loss 2021 carried forward	12,813	477	13,290	-	-	-
Total tax losses carried forward	22,550	9,469	32,019	18,373	3,926	22,299

The deferred tax assets on tax losses carried forward expire in the following years as at 31 December 2021:

<i>In thousands of Polish Zlotys (PLN)</i>	Recognized tax losses	Unrecognized tax losses
2022	303	915
2023	544	79
2024	312	261
2025	691	453
2026	2 434	91
Total tax losses carried forward	4 284	1 799

Movement in unrecognized deferred tax assets on tax losses carried forward

Unrecognized deferred tax assets on tax losses carried forward in Poland are presented in the table below:

<i>In thousands of Polish Zlotys (PLN)</i>	Balance 1 January 2020	Tax losses expired	Additions/ (Realizations)	Balance 31 December 2020	Tax losses expired	Additions/ (Realizations)	Balance 31 December 2021
Tax losses	1,070	(9)	(315)	746	(24)	(1,077)	1,799
Total	1,070	(9)	(315)	746	(24)	(1,077)	1,799

Unrecognized deferred tax assets

A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized. Unrecognized deferred tax assets relate primarily to tax loss carry-forwards, which are not considered probable of realization prior to their expiration.

The Company did not recognize the entire deferred tax asset at consolidation level resulting from contributions as the recoverability of such assets is uncertain. Total unrecognized deferred tax assets as at 31 December 2021 are estimated to be PLN 1,799 thousand (31 December 2020: PLN 4,548 thousand).

Consolidated Financial Statements for the year ended 31 December 2021

Notes to the Consolidated Financial Statements

16. Inventory and Residential land bank

For the year ended 31 December 2021:

Inventory

<i>In thousands of Polish Zlotys (PLN)</i>	As at 1 January 2021	Transferred from/to land designated for development	Transferred to finished units	Additions	As at 31 December 2021
Land and related expense	294,430	7,240	(64,281)	121,585	358,975
Construction costs	194,539	-	(277,942)	198,959	115,557
Planning and permits	16,760	-	(7,403)	7,774	17,131
Borrowing costs ⁽²⁾	34,844	496	(7,215)	10,307	38,432
Borrowing costs on lease and depreciation perpetual usufruct right ⁽¹⁾	2,758	-	(632)	913	3,039
Other	3,839	30	(3,618)	3,396	3,647
Work in progress	547,170	7,766	(361,090)	342,933	536,780

<i>In thousands of Polish Zlotys (PLN)</i>	As at 1 January 2021	Transferred from fixed assets	Transferred from work in progress	Recognized in the statement of comprehensive income	As at 31 December 2021
Finished goods	109,419	747	361,090	(365,575)	105,681

<i>In thousands of Polish Zlotys (PLN)</i>	As at 1 January 2021	Revaluation write-down recognized in statement of comprehensive income		As at 31 December 2021
		Reversal	Utilization	
Write-down	(5,503)	-	1,385	(4,118)

<i>In thousands of Polish Zlotys (PLN)</i>	As at 1 January 2021	Recalculation adjustment ⁽³⁾	Depreciation	Transfer to Other receivables	As at 31 December 2021
Perpetual usufruct right	13,675	6,379	(167)	(2,688)	17,199

Inventory, valued at lower of - cost and net realisable value	664,761				655,542
--	----------------	--	--	--	----------------

(1) For additional information see Note 24.

(2) Borrowing costs are capitalized to the value of inventory with 4.4241% average effective capitalization interest rate.

(3) Relates to change in the perpetual usufruct payments from 2022

Consolidated Financial Statements for the year ended 31 December 2021

Notes to the Consolidated Financial Statements

16. Inventory and Residential land bank continued

For the year ended 31 December 2020:

Inventory

<i>In thousands of Polish Zlotys (PLN)</i>	As at 1 January 2020	Transferred from/to land designated for development	Transferred to finished units	Additions	As at 31 December 2020
Land and related expense	293,592	1,443	(34,804)	34,199	294,430
Construction costs	131,467	(1,640)	(158,306)	223,018	194,539
Planning and permits	20,408	(1,507)	(4,036)	1,895	16,760
Borrowing costs ⁽¹⁾	32,291	3,312	(7,633)	6,875	34,844
Borrowing costs on lease and depreciation of the perpetual usufruct right ⁽²⁾	1,656	-	(164)	1,266	2,758
Other	4,426	64	(2,320)	1,669	3,839
Work in progress	483,840	1,672	(207,263)	268,921	547,170

<i>In thousands of Polish Zlotys (PLN)</i>	As at 1 January 2020	Transferred from work in progress	Recognized in the statement of comprehensive income	As at 31 December 2020
Finished goods	217,123	-	(314,967)	109,419

<i>In thousands of Polish Zlotys (PLN)</i>	As at 1 January 2020	Transferred from/to land designated for development	Revaluation write-down recognized in statement of comprehensive income		As at 31 December 2020
			Reversal	Utilization	
Write-down	(6,023)	(4,330)	680	4,170	(5,503)

<i>In thousands of Polish Zlotys (PLN)</i>	As at 1 January 2020	Depreciation	Transfer to Other receivables	As at 31 December 2020
Perpetual usufruct rights	23,120	-	(9,177)	13,675

Inventory, valued at lower of - cost and net realisable value	718,060			664,761
--	----------------	--	--	----------------

(1) Borrowing costs are capitalized to the value of inventory with 4.50% average effective capitalization interest rate.

(2) Detailed information in Note 24.

Consolidated Financial Statements for the year ended 31 December 2021**Notes to the Consolidated Financial Statements****16. Inventory and Residential land bank continued***Residential land bank*

In December 2021, plots of land purchased for development purposes on which construction is not planned within a period of three years has been reclassified as Residential land bank presented within non-current assets. The table below presents the movement in the Residential land bank:

For the year ended 31 December	2021	2020
<i>In thousands of Polish Zloty (PLN)</i>		
Opening balance	45,486	44,321
Moved from Inventory	-	31,920
Sold land	(24,976)	-
Moved to inventory	(7,766)	(28,750)
Write-down adjustment	(2,703)	(2,005)
Total closing balance	10,041	45,486
Closing balance includes:		
Book value	17,301	50,043
Write-down	(7,260)	(4,557)
Total Closing balance	10,041	45,486

In the period ended 31 December 2021 the Company decided to move to Inventory project Vivaldi in the total amount of PLN 7,766 thousand due to the fact that the Management plans to start the project in the next 3 years and the planning process has started. In the period ended 31 December 2020 the Company transferred to Inventory project Falenty which the Management Board planned to start in the next 3 years and intensive planning process started. On the other hand the Company moved to Residential bank projects Chilli and Naturalis which the Management Board stopped to developed due to low profitability of the project. Detailed information regarding sale of land in Note 6.

Write-down revaluating the inventory and residential land bank:

The Management internally assessing the net realizable value of the inventory and residential land bank and decrease the value when the net realizable value is lower than the cost amount. In view of the situation in the property market in which the Group operates, during the year ended 31 December 2021 and 31 December 2020 the Group performed an inventory and residential land bank review with regard to its valuation to net realizable value based on the most reliable evidence available to the Group.

During the year ended 31 December 2021 the Group reversed a write-down adjustment made during previous periods of PLN 1,685 thousand (PLN 1,385 thousand reversal of the impairment recognized in line Inventory, PLN 300 thousand reversal of impairment recognized in line Residential land bank). The reversal of the impairment was made due to sale realization of the projects with showed in the past negative margin, as well as increase in selling prices on the projects designated for development where the impairment was recognized in the past. On the other hand the Company created a write-down adjustment of PLN 3,052 thousand was made, which is included as part of cost of sales in the Consolidated Statement of Comprehensive Income. The reason for write down creation was due to the increase in general contractors costs. During the year ended 31 December 2020 the Group made a net write-down adjustment of PLN 2,005 thousand. The Group examined a possible write-down on inventory for each project separately, according to the projection of revenues net of cost of sales.

The valuation of inventory and residential land bank is as follows:

As at 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Valued at cost	619,197	640,348
Valued at net realizable value	46,386	69,899
Total Inventory and residential land bank	665,583	710,247

For information about future commitments to the general contractor for construction services related to inventory construction, see Note 2.

Consolidated Financial Statements for the year ended 31 December 2021**Notes to the Consolidated Financial Statements****17. Trade and other receivables and prepayments**

As at 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Value added tax (VAT) receivables	31,800	12,748
Trade and other receivables	2,824	8,649
Trade and other receivables - IFRS 16 (impact of perpetual usufruct)	809	1,377
Bid bond	1,437	1,437
Notary's deposit	14,742	6,765
Prepayments ⁽¹⁾	6,569	6,398
Total trade and other receivables and prepayments	58,180	37,374

(1) Capitalized costs related to the receipt of contracts were presented in this line and amounted to PLN 2.4 million for the year ended December 31, 2021 and PLN 3.7 million for the year ended December 31, 2020.

During the year ended 31 December 2021 and 31 December 2020, the Group booked allowance for doubtful accounts in the amount of PLN 1,043 thousand and PLN 936 thousand, respectively as irrecoverable debts included in trade and other receivables.

Notary's deposits represents paid amount for the preliminary purchase agreements of lands. Bid bond balance relates to the tender for a potential purchase of land which was cancelled by the court. The Company expects to receive the bid bond in first quarter of 2022.

18. Advances for land

The table below presents the lists of advances for land paid as at 31 December 2021 and 31 December 2020:

Investment Location	As at 31 December 2021	As at 31 December 2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Warsaw, Białołęka	7,500	1,000
Warsaw, Ursynów	9,000	-
Warsaw, Ursus	10,000	-
Warsaw, Targówek	4,000	-
Warsaw, Wola	-	2,700
Warsaw, Ursynów	2,100	-
Warsaw, Ochota	7,100	-
Warsaw, Białołęka	3,753	-
Warsaw, Bemowo	5,000	-
Total	48,453	3,700

19. Other current financial assets

Other current financial assets comprise escrow accounts only. The regulations related to the activity of the residential developers imposed on all residential developers in Poland. This is an obligation to open an escrow account for all customers purchasing residential units during the construction period. According to these regulations, all amounts paid by the customers have to be paid directly to the escrow account. The developer is entitled to receive the money only once certain conditions – related mainly to progress of the construction process – are met or the upon the transfer of the ownership of the apartment to the customer.

As long as the money is kept in the escrow account, the Company cannot dispose of the cash in any way.

Notes to the Consolidated Financial Statements

20. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits freely available for the Group. Cash at bank comprises of overnight deposits, the short-term deposits have an original maturity varying from one day to three months.

As at 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Cash at bank and in hand	72,597	112,127
Short-term deposit	2,312	5,366
Restricted cash	58,526	17,606
Total cash and cash equivalents	133,434	135,099

Cash at bank earns interest at floating rates based on daily bank deposit rates. As at 31 December 2021 and 31 December 2020 the Group held in saving accounts amounting to PLN 2,312 thousand and PLN 5,366 thousand, respectively. As at 31 December 2021 and 31 December 2020 the saving accounts that earn interest rates varying between 0.35% - 0,40% and 0.25% - 1.16%, respectively.

Short-term deposits have a duration varying between one day and three months depending on the immediate cash requirements of the Group. As at 31 December 2021 and 31 December 2020, they earn interest at the respective short-term deposit rates varying between 0.35% - 0.40% and 0.00% - 0.44%, respectively.

Restricted cash are pledge to the benefit of banks for securing construction loans.

For information about the fair value of cash and cash equivalents see Note 27.

21. Shareholders' equity

Share capital

The authorized share capital of the Company consists of 800,000,000 shares of EUR 0.02 par value each. The number of issued and outstanding ordinary shares as at 31 December 2021 amounted to 164,010,813 (as at 31 December 2020: 164,103,813 shares issued and outstanding). The number of outstanding shares equals the number of votes, as there are no privileged shares issued by the Company. As at 31 December 2021, the Company held 1,567,954 own shares (0.96%) in treasury (see below) and, in accordance with art. 364 § 2 of the Code of Commercial Companies, it does not exercise voting rights from own shares.

There are no restrictions regarding dividend payments, future dividends may be proposed and paid.

Distribution of the net profit for year 2020

Ordinary General Meeting of the Company held on 30 June 2021 decided to divide the net profit of the Company for the year 2020 in the amount of PLN 40,143 thousand in such a way that the entire profit is allocated to the supplementary capital (presented in the retained earnings). The decision to allocate the net profit to supplementary capital as due to the uncertain economic situation resulting from the still unknown economic effects of the COVID-19 pandemic and increasing prices of plots as well as the intention of the Management Board to continue the development of the Company.

Proposed profit appropriation

The Management Board, in line with the prevailing dividend policy, will evaluate the possibility to recommend to the Ordinary General Meeting of the Company to be held in 2022 to distribute the dividend for year 2021, after the examination of the current and expected balance sheet of the Company, expected operating, financial and cash-flow position of the Company and taking into consideration: (i) the close observance of all balance-sheet linked debt covenants, (ii) ability of future repayment of debts, (iii) financial needs of the Company aiming to be ranked amongst leading residential developers and (iv) changing market environment.

Notes to the Consolidated Financial Statements

21. Shareholders' equity

Treasury shares

During the Extraordinary General Meeting of Shareholders held on 24 January 2019, the shareholders of the Company resolved to approve a share buyback program and the establishment of a capital reserve for the purpose of such program, whereby the Management Board of the Company is authorized to purchase ordinary bearer shares in the Company. In order to fund the purchase of own shares under the buyback program a capital reserve (within retained earnings) is established for an amount of PLN 2.0 million. The capital reserve is subsequently reduced by the amount of the consideration paid for the shares bought back.

The table below presents the Treasury shares owned by the Company as at 31 December 2021 and 31 December 2020:

As at 31 December	2021	2020
<i>In polish zloty (PLN)</i>		
Number of shares	164,010,813	164,010,813
Share Capital	12,503,000	12,503,000
Treasury shares	1,567,954	1,489,235.00
Value of treasury shares	(1,731,716)	(1,613,110)
% of total shares	0.96%	0.91%

22. Net earnings per share

Basic and diluted earnings per share

Basic earnings per share amounts are calculated by dividing net profit/(loss) attributable to equity holders of the parent company for the year by the weighted average number of ordinary shares outstanding and in circulation during the year. Diluted earnings per share amounts are calculated by dividing the net profit/(loss) attributable to equity holders of the parent company for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive instruments into ordinary shares, no such instruments exists as at 31 December 2021 and 2020.

Weighted average number of ordinary shares (basic):

For the year ended 31 December	2021	2020
<i>(in thousands of Polish Zlotys)</i>		
Net income attributable to the equity holders of the parent company	40,347	40,143
Balance at beginning of the period	162,521,578	163,335,913
Weighted average per share during the year	(76,503)	(232,750)
Weighted average number of ordinary shares (basic)	162,445,075	163,103,163
Basic earnings per share	0.248	0.246

Consolidated Financial Statements for the year ended 31 December 2021

Notes to the Consolidated Financial Statements

23. Financial liabilities

As at 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	
Floating rate bonds	249,238	230,072
Secured bank loans	1,568	-
Total loans and borrowings	250,806	230,072

Information about the contractual terms of the Group's interest-bearing loans and borrowings is presented in the table below. For more information about the Group's exposure to interest rate, see Note 31.

Bond loans

The table below presents the movement in bond loans during the year ended 31 December 2021 and 31 December 2020:

	For the year ended 31 December 2021	For the year ended 31 December 2020
<i>In thousands of Polish Zloty (PLN)</i>		
Opening balance	230,072	187,969
Repayment of bond loans	(77,929)	(55,000)
Redemption of bonds (non-cash)	(2,247)	(2,141)
Proceeds from bond loans (nominal value)	100,000	100,000
Issue cost	(2,648)	(1,636)
Issue cost amortization	1,576	783
Accrued interest	10,775	8,429
Interest repayment	(10,362)	(8,331)
Total closing balance	249,238	230,072
Closing balance includes:		
Current liabilities	52,247	54,690
Non-current liabilities	196,991	175,382
Total Closing balance	249,238	230,072

Bond loans as at 31 December 2021:

<i>In thousands of Polish Zlotys (PLN)</i>	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Charges and fees	Carrying value
Bonds loans series T	PLN	6 month Wibor + 3.50%	2022	50,000	332	(230)	50,102
Bonds loans series V ⁽¹⁾	PLN	6 month Wibor + 4.30%	2024	100,000	1,136	(1,467)	99,669
Bonds loans series W ⁽²⁾	PLN	6 month Wibor + 4.00%	2025	100,000	1,009	(1,542)	99,466
Total				250,000	2,477	(3,239)	249,238

1) The series V bonds are subject to repayment in 2 tranches 40% (PLN 40 million) of the amount together with accumulated interest to be repaid by October 2023 and the remaining amount of 60% (PLN 60 million) together with accumulated interest to be paid by April 2024.

2) The series W bonds are subject to repayment in 2 tranches 40% (PLN 40 million) of the amount together with accumulated interest to be repaid by October 2024 and the remaining amount of 60% (PLN 60 million) together with accumulated interest to be paid by April 2025.

Consolidated Financial Statements for the year ended 31 December 2021**Notes to the Consolidated Financial Statements****23. Financial liabilities (cont'd)**

Bond loans as at 31 December 2020:

<i>In thousands of Polish Zlotys (PLN)</i>	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Charges and fees	Carrying value
Bonds loans series R	PLN	6 month Wibor + 2.85%	2021	47,859	151	(81)	47,929
Bonds loans series T	PLN	6 month Wibor + 3.50%	2022	50,000	277	(233)	50,045
Bonds loans series U ⁽¹⁾	PLN	6 month Wibor + 3.50%	2023	32,317	512	(334)	32,495
Bonds loans series V ⁽²⁾	PLN	6 month Wibor + 4.30%	2024	100,000	1,124	(1,521)	99,604
Total				230,176	2,065	(2,168)	230,072

1) The series U bonds are subject to mandatory depreciation at the end of the 4th and the 6th interest period (on 31 January 2021 and 31 January 2022, respectively) by reducing the nominal value of each Bond each time in the amount of PLN 150 for each bond.

2) The series V bonds are subject to repayment in 2 tranches 40% (PLN 40 million) of the amount together with accumulated interest to be repaid by October 2023 and the remaining amount of 60% (PLN 60 million) together with accumulated interest to be paid by April 2024.

On 1 February 2021, the Company repaid 15% of outstanding series U bonds with value of PLN 4,848 thousand. After this repayment, the nominal value was set as PLN 850 per bond and the total amount of outstanding series U bonds amounted to PLN 27,469 thousand.

On 15 April 2021 the Company issued 100,000 series W non-secured bonds with a nominal value and issue price of PLN 1.0 thousand per bond and an aggregate nominal value and issue price of PLN 100.0 million. The bonds shall be redeemed through the payment in two installments: at the end of the 7th interest period, on 15 October 2024 (redeeming 40% of the nominal value) and the second on 15 April 2025 by redeeming the remaining part of the nominal value.

Together with issuance of series W bonds the Company:

- purchased for redemption series R bonds with a nominal value of PLN 10,000,000 from the bondholders who purchased the bonds for at least the same amount. In addition the Company paid interest accrued on those bonds until the date of the transaction,
- purchased for redemption series U bonds with a nominal value of PLN 2,247,400 from the bondholders who purchased the bonds for at least the same amount. These transactions were settled without cash (by set-off), except for accrued interest on those bonds until the date of the transaction, which were paid by the Company.

On 24 May 2021, the Company repaid all outstanding 37,859 series R bonds with total nominal value of PLN 37,859 thousand. After this repayment, the total number of outstanding bonds series R amounted to nil.

On 31 July 2021 the Company performed the early redemption of series U bonds through the payment of the redemption amount equal to the nominal value of the Bonds plus accrued interest and an additional cash benefit in the form of a premium. The early redemption refers to all series U bonds with total value of PLN 25.2 million.

The early redemption was carried out in connection with the Company's plans to carry out real estate development projects on certain plots, the mortgage of which secures the Bonds. After this repayment, the total number of outstanding bonds series U amounted to nil.

Notes to the Consolidated Financial Statements

23. Financial liabilities (cont'd)

Bond loans

Financial ratio covenants:

Based on the conditions of bonds T, V and W in each reporting period the Company shall test the ratio of Net debt to Equity (hereinafter "Net Indebtedness Ratio"). The Ratio shall not exceed 80% on the Check Date.

Until the publication date, as at 31 December 2021 and as at 31 December 2020 the Company did not breach any bonds loan covenants, which will expose the Company or the Group for risk of obligatory and immediate repayment of any loan.

The table presenting the Net Indebtedness Ratio as at 31 December 2021 and 31 December 2020:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2021	As at 31 December 2020
Loans and borrowings	249,238	230,072
Secured bank loans	1,568	-
Interest bearing liabilities	-	8,482
Less: cash on individual escrow accounts (other current financial assets)	(8,794)	(14,239)
Less: Cash and cash equivalents	(133,434)	(135,099)
Net Debt	108,578	89,216
Equity	420,045	379,817
Ratio	25.8%	23.5%
Max Ratio	80.0%	80.0%

On 5 November 2021 the Meetings of bondholders of series T, V and W were held, where resolutions regarding the change of the Terms and conditions of issuance of Bonds were taken. According to the adopted resolutions the following points from the catalogue of Relative Grounds for Early Redemption of Bonds were removed:

1. point regarding the *Excessive investment in land with an unclear legal status* (for series T, V and W).
In connection with adoption of those resolutions, the Company was obligated to make additional payment for the account of bondholders in the amount of 0.4% of the nominal value of bonds. The abovementioned premium was paid on 25 November 2021 (in total PLN 1.0 million),
2. Point regarding no limitations on the issuer regarding *Delisting of shares of the Issuer from the WSE* (for series T only).

Impact of IFRS 16 on financial ratios in bond covenants:

Terms and conditions of issuance of Bonds of the Company ("T&C's") provide that only certain, specified types of financial indebtedness should be taken into account when determining the level of financial indebtedness for the purpose of calculating financial ratios in accordance with T&C's. In particular, certain T&C's require that financial indebtedness resulting from finance lease agreements (*in Polish: umowy leasingu finansowego*) should be included in calculation of the financial indebtedness. Those T&C's do not provide that the indebtedness resulting from finance lease agreements shall also include other financial indebtedness which is recognized as lease liability in accordance with IFRS 16.

Given the above, and taking into account the type of activities carried out by the Group, despite changes in the IFRS in this respect, the Company concluded that inclusion of other type of financial indebtedness, in particular liabilities from annual fees for perpetual usufruct, for the purposes of calculations of financial ratios would not be in line with T&C's and therefore the Company does not include such finance lease alike items in such calculations.

Additional information regarding IFRS 16 are in Note 24.

Consolidated Financial Statements for the year ended 31 December 2021

Notes to the Consolidated Financial Statements

23. Financial liabilities (cont'd)

*Bond loans**Other covenants:**Series T, V and W:*

Based on the conditions of bonds T, V and W transactions with related-parties (shareholders holding more than 25% of the shares in the Company “within the meaning of IAS 24 or with related parties “including with entities controlling the Company whether jointly or individually, whether directly or indirectly or with their subsidiaries which are not members of the Group) shall not exceed the aggregate amount of PLN 1.0 million during any given calendar year.

During the year ended 31 December 2021, the consulting fees related to A. Luzon Group amounted to PLN 862 thousand. For additionally information see Note 30.

Secured bank loans

The table below presents the movement in Secured bank loans:

As at 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Opening balance	-	12,875
New bank loan drawdown	20,031	26,096
Bank loans repayments	(18,497)	(39,217)
Bank charges paid	(809)	(67)
Bank charges presented as prepayments	571	323
Bank charges amortization (capitalized on Inventory)	238	-
Accrued interest/(interest repayment) on bank loans, net	34	(10)
Total closing balance	1,568	-
Closing balance includes:		
Current liabilities	1,568	-
Non-current liabilities	-	-
Total Closing balance	1,568	-

Bank loans as at 31 December 2021:

Investment	Currency	Nominal interest rate	Year of maturity	Credit line amount in ('000 PLN)	Unpaid amount as at 31 December 2021 ('000 PLN)	Accrued interest ('000 PLN)	Balance as at 31 December 2021 ('000 PLN)
Ursus IB	PLN	3 month Wibor + 3.00%	2023	26,700	639	10	649
Miasto Moje V	PLN	3 month Wibor + 3.00%	2023	35,300	449	12	461
Nowe Warzymice II	PLN	3 month Wibor + 2.70%	2022	15,300	446	12	458
Grunwaldzka	PLN	3 month Wibor + 2.90%	2023	20,880	-	-	-
Total				98,180	1,534	34	1,568

Notes to the Consolidated Financial Statements

23. Financial liabilities (cont'd)

Secured bank loans

As at 31 December 2020 there were no bank loans received by the Group.

On 30 March 2021 the Company signed agreements for bank loans for Miasto Moje V project in amount up to PLN 35,3 million and for Ursus Centralny Ib in amount up to PLN 26,7 million.

On 17 August 2021 the Company signed agreement for bank loans for Nowe Warzymice II projekt in amount up to PLN 15,3 million.

On 26 November 2021 the Company signed agreement for bank loans for Grunwaldzka projekt in amount up to PLN 20,9 million.

All credit bank loans are secured.

Covenants on secured bank loans:

As at 31 December 2021 and 2020, the Company has not breached any loan covenant, which would expose the Company for risk of obligatory and immediate repayment of any loan.

For the bank loans the following collateral was given:

- Ordinary and floating mortgages on Inventory, see Note 16.
- Pledge over bank accounts which are presented in the Consolidated Statement of Financial Position as Cash and cash equivalents (Restricted cash), see Note 20.
- Assignment of receivables arising from insurance agreements and from agreements concluded with clients.
- Subordination agreement on loans from related parties.
- Blank promissory note drawn by particular subsidiary companies with a promissory note declaration up to the amount of the loan plus interest.
- Advance payments of dividends by the borrowers until full repayment of loans are not allowed.

Consolidated Financial Statements for the year ended 31 December 2021**Notes to the Consolidated Financial Statements****24. Lease liabilities and right of use asset**

The movement on the right of use assets and lease liabilities during the period ended 31 December 2021 and 31 December 2020 is presented below:

<i>In thousands of Polish Zlotys (PLN)</i>	1 January 2021	Additions	Depreciation charge	Fair value adjustment	Recalculation adjustment ⁽¹⁾	Transfer to trade receivables	31 December 2021
Right of use assets related to inventory	13,675	-	(167)	-	6,379	(2,688)	17,199
Right of use assets related to investment property	553	-	(8)	-	-	n.a	545
Right of use assets related to fixed assets	-	353	(57)	-	-	n.a	296

<i>In thousands of Polish Zlotys (PLN)</i>	1 January 2021	Additions	Finance expense	Payments	Recalculation adjustment ⁽¹⁾	Transfer to trade payables	31 December 2021
Lease liabilities related to inventory	13,902	292	746	(903)	6,204	(2,718)	17,523
Lease liabilities related to investment property	590	-	-	(37)	-	n.a	553

<i>In thousands of Polish Zlotys (PLN)</i>	1 January 2020	Depreciation charge	Fair value adjustment	Recalculation adjustment ⁽¹⁾	Transfer to trade receivables	31 December 2020
Right of use assets related to inventory	23,120	(268)	-	-	(9,177)	13,675
Right of use assets related to investment property	553	n.a	-	-	n.a	553

<i>In thousands of Polish Zlotys (PLN)</i>	1 January 2020	Finance expense	Payments	Recalculation adjustment ⁽¹⁾	Transfer to trade payables	31 December 2020
Lease liabilities related to inventory	23,549	912	(1,268)	-	(9,291)	13,902
Lease liabilities related to investment property	552	37	-	-	n.a	590

(1) relates to change in the perpetual usufruct payments from 2022

25. Trade and other payables and accrued expenses

As at 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Trade payables	22,909	26,994
Accrued expenses	25,121	22,215
Contractors guarantees for construction work	8,007	5,310
Value added tax (VAT) and other tax payables	2,061	1,087
Non-trade payables	2,165	1,343
Other trade payables - IFRS 16 (perpetual usufruct transfer to trade payables)	823	1,398
Total trade and other payables and accrued expenses	61,086	58,347

Trade and non-trade payables are non-interest bearing and are normally settled on 30-day terms.

Consolidated Financial Statements for the year ended 31 December 2021**Notes to the Consolidated Financial Statements****26. Advances received**

Payments from customers on account of the purchase of apartments and parking spaces are recorded as deferred income until the time that they are delivered to the buyer and are recognised in the income statement as “sales revenue”. This balance sheet item is closely dependent over time on the relationship between the sales rate (which as it increases, increases this item) and the deliveries rate (which as it decreases, decreases this item).

As at 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Deferred income related to the payments received from customers for the purchase of products, not yet included as income in the statement of comprehensive income		
Opening balance	219,645	254,970
- increase (advances received)	436,801	364,932
- decrease (revenue recognized)	(458,399)	(400,256)
Total advances received	198,047	219,645
Other (deferred income)*	180	4,622
Total	198,227	224,267

* deferred income due to issued invoices for delivered apartments but not fully paid as at 31 December 2020 and 31 December 2021.

Additional information regarding contingent receivables which are a result of signed agreements with the clients, please see Note 29.

Revenues from contracts will be recognized at the time of handover the apartment to the client, completion of construction process and obtaining all necessary administrative decisions (occupancy permit), which usually takes from 1 to 3 months from the completion of construction stage.

27. Fair value estimation of financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Consolidated Statement of Financial Position, are as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Category</i>	<i>Note</i>	As at 31 December 2021	
			Carrying amount	Fair value
Assets:				
Trade and other receivables	<i>Assets measured at amortized costs</i>	17	2,824	2,824
Other current financial assets	<i>Assets measured at amortized costs</i>	19	8,794	8,794
Cash and cash equivalents	<i>Assets measured at amortized costs</i>	20	133,434	133,434
Loans granted to third parties	<i>Assets measured at amortized costs</i>		1,621	1,621
Loans granted to joint ventures	<i>Assets measured at amortized costs</i>	14	319	319
Liabilities:				
Bond loans	<i>Liabilities measured at amortized costs</i>	23	249,238	235,603
Secured bank loans	<i>Liabilities measured at amortized costs</i>	23	1,568	1,554
Trade and other payables and accrued expenses	<i>Liabilities measured at amortized costs</i>	25	48,030	48,030
Unrecognized profit/(loss)				13,648

Consolidated Financial Statements for the year ended 31 December 2021**Notes to the Consolidated Financial Statements****27. Fair value estimation of financial assets and liabilities (cont'd)**

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Category</i>	<i>Note</i>	As at 31 December 2020	
			Carrying amount	Fair value
Assets:				
Trade and other receivables	<i>Assets measured at amortized costs</i>	17	8,649	8,649
Other current financial assets	<i>Assets measured at amortized costs</i>	19	14,239	14,239
Cash and cash equivalents	<i>Assets measured at amortized costs</i>	20	135,099	135,099
Loans granted to joint ventures	<i>Assets measured at amortized costs</i>	14	11,634	12,028
Liabilities:				
Bond loans	<i>Liabilities measured at amortized costs</i>	23	230,072	229,412
Interest bearing deferred trade payables	<i>Liabilities measured at amortized costs</i>		8,482	8,575
Trade and other payables and accrued expenses	<i>Liabilities measured at amortized costs</i>	25	49,209	49,209
Unrecognized profit/(loss)			961	

Estimation of fair values

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- trade and other receivables, cash and cash equivalents, other current financial assets and trade and other payables and accrued expenses: the carrying amounts approximate fair value because of the short maturity of these instruments;
- loans and borrowings and loans granted to joint ventures: the fair value is estimated by discounting the future cash flows of each instrument using discount rates offered to the Group for similar instruments of comparable maturities by the Group's bankers. The own non-performance risk as at 31 December 2021 was assessed as insignificant.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows (PLN denominated), where applicable, are based on WIBOR plus margin as at 31 December 2021 and 31 December 2020 and are as follows:

As at 31 December	2021	2020
Loans received	5.4-6.8%	2.9-4.3%
Loans granted	4.23%-6%	4.3%
Lease liabilities related to perpetual usufruct of land, investment property and fixed assets	0.44%-6.9%	6.9%

Notes to the Consolidated Financial Statements

28. Fair value measurement hierarchy

The table below provides the fair value measurement hierarchy of the Group's assets and liabilities:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Quantitative disclosures fair value hierarchy for assets and liabilities as at 31 December 2021:

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Date of valuation</i>	Fair value measurement using:		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
Investment property	31-Dec-21	-	19,944	8,114
Loans granted to third parties	31-Dec-21	-	-	1,621
Loans granted to joint ventures	31-Dec-21	-	319	-
Liabilities for which fair values are disclosed:				
Bond loans	31-Dec-21	-	235,600	-
Secured bank loans	31-Dec-21	-	1,554	-

Quantitative disclosures fair value hierarchy for assets and liabilities as at 31 December 2020:

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Date of valuation</i>	Fair value measurement using:		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
Investment property	31-Dec-20	-	-	8,411
Loans granted to joint ventures	31-Dec-20	-	12,028	-
Liabilities for which fair values are disclosed:				
Bond loans	31-Dec-20	-	229,412	-
Interest bearing deferred trade payables	31-Dec-20	-	8,575	-
Secured bank loans	31-Dec-20	-	-	-

Consolidated Financial Statements for the year ended 31 December 2021**Notes to the Consolidated Financial Statements****29. Commitments and contingencies****Investment commitments:**

The amounts in the table below present uncharged investment commitments of the Group in respect of construction services to be rendered by the general contractors:

<i>In thousands of Polish Zlotys (PLN)</i>	Commitments			
	Contracted amount as at 31 December 2021	As at 31 December 2021	Contracted amount as at 31 December 2020	As at 31 December 2020
Karmar S.A.	167,567	129,300	116,351	48,297
Hochtief polska S.A.	50,242	34,792	105,857	37
Mostostal Warszawa S.A.	-	-	37,636	11,478
Danya Cebus Poland Sp. z o.o.	58,547	18,759	130,211	77,254
Glif Sp. z o. o.	-	-	11,515	1,643
EBUD - Przemysłówka Sp. z o.o.	25,155	11,087	13,008	1,945
Erbud S.A.	-	-	27,457	3,300
Totalbud S.A.	27,305	27,305	19,835	-
Total	328,816	221,243	461,870	143,954

Unutilized construction loans:

The table below presents the list of the construction loan facilities, which the Group arranged for in conjunction with entering into loan agreements with the banks in order to secure financing of the construction and other outstanding costs of the ongoing projects. The amounts presented in the table below include the unutilized part of the construction loans available to the Group:

As at 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Nova Królikarnia 2c (Wrocław 2016)	-	20,725
Miasto MojeV	29,791	-
Ursus Centralny IB	19,158	-
Nowe Warzymice II	8,370	-
Grunwaldzka	20,880	-
Total (excluding JV)	78,199	20,725
Wilanów Tulip	-	28,324
Total (including JV)	78,199	49,049

Consolidated Financial Statements for the year ended 31 December 2021**Notes to the Consolidated Financial Statements****29. Commitments and contingencies (cont'd)****Contingent receivables - contracted sales not yet recognized:**

The table below presents amounts to be received from the customers having bought apartments from the Group and which are based on the value of the sale and purchase agreements signed with the clients until 31 December 2021 after deduction of payments received at reporting date (such payments being presented in the Consolidated Statement of Financial Position as Advances received):

<i>In thousands of Polish Zlotys (PLN)</i>	Completion of the project*	As at 31 December 2021			As at 31 December 2020		
		Total value of preliminary sales agreements signed with clients	Advances received from Clients until 31 December 2021	Contracted payments not received yet as at 31 December 2021	Total value of preliminary sales agreements signed with clients	Advances received from Clients until 31 December 2020	Contracted payments not received yet as at 31 December 2020
Ursus IIa	Q4 2021	80,911	75,349	5,562	78,726	28,158	50,569
Ursus Ia	Q1 2021	642	648	(6)	56,257	41,748	14,509
Ursus IIb	Q4 2022	64,510	18,367	46,143	-	-	-
Ursus Ib	Q3 2022	41,720	23,438	18,282	14,763	1,704	13,059
Ursus IIc	Q2 2023	1,521	-	1,521	-	-	-
Miasto Moje III	Q4 2020	-	74	(74)	29,301	26,071	3,230
Miasto Moje IV	Q4 2021	15,571	15,330	241	38,027	15,333	22,694
Miasto Moje V	Q4 2022	57,945	30,701	27,244	15,531	1,661	13,870
Miasto Moje VI	Q2 2023	16,803	2,280	14,523	-	-	-
Vitalia III	Q1 2021	-	38	(38)	37,570	27,760	9,809
Viva Jagodno I	Q3 2021	-	13	(13)	22,731	7,945	14,786
Viva Jagodno IIa	Q4 2022	18,302	3,257	15,045	-	-	-
Panoramika VI	Q4 2021	7,464	6,914	549	13,280	2,466	10,814
Panoramika V	Q3 2020	1,104	513	591	1,465	590	874
Nowe Warzymice (Chopin)	Q2 2021	0	56	(56)	9,119	2,332	6,787
Nowe Warzymice II (Chopin)	Q2 2022	20,859	10,193	10,666	-	-	-
Nowe Warzymice III (Chopin)	Q4 2022	18,547	3,828	14,719	-	-	-
Totton 3c	Q2 2021	1,401	1,415	(15)	20,018	9,592	10,426
Wrocław 2016	Q3 2020	-	-	-	19,000	9,423	9,577
Truro 3a	Q2 2021	3,325	332	2,992	26,010	17,912	8,097
Darwen 3b	Q1 2021	-	-	-	23,230	17,239	5,992
City Link 4	Q4 2019	344	344	-	9,868	3,497	6,371
Grunwald2	Q2 2020	624	312	312	7,260	1,281	5,979
Grunwaldzka	Q1 2023	12,636	2,579	10,057	-	-	-
Other projects		4,919	2,063	2 856	7 484	4 931	2,553
Total (excluding JV)		369,148	198,047	171,101	429,640	219,645	209,995
Wilanów Tulip		8,833	5,023	3,810	47,865	26,967	20,898
Total		377,981	203,069	174,911	477,505	246,612	230,894

*From the completion date the assumed recognition of the advances as revenue is between 3- 6 months

Notes to the Consolidated Financial Statements

30. Related parties

Parent company

The Company enters into various transactions with its subsidiaries and with its directors and executive officers. For a list of subsidiaries reference is made to Note 1(b).

The main related parties' transactions arise on:

- agreement with the major shareholder for remuneration of Management Board and Supervisory Board member;
- transactions with key management personnel;
- loans granted to related parties;
- other.

Outstanding balances with related parties as at 31 December 2021 and as at 31 December 2020 are unsecured, interest free and settlement occurs in cash. The Group did not record any impairment of receivables relating to amounts owed by related parties in either year. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. All transactions with related parties were performed based on market conditions.

Agreement with the major shareholder for remuneration of Board member

During the year ended 31 December 2017, the subsidiary of the Company entered into a consulting agreement with its major (indirect) shareholder, A. Luzon Group for total monthly amount of PLN 70 thousand and covering travels and out of pocket expenses incurred in connection with rendering services. In the year 2020 and 2021 the agreement was continued and the total amount of expenses incurred amounted PLN 864 thousand and PLN 862 thousand, respectively.

Notes to the Consolidated Financial Statements

30. Related parties continued

Transactions with key management personnel

During the year ended 31 December 2021 and the year ended 31 December 2020, key management personnel of the Company included the following members of the Management Board:

Boaz Haim	- President, Chief Executive Officer
Yaron Shama	- Member, Chief Financial Officer
Andrzej Gutowski	- Member, Sales Director
Karolina Bronszewska (since 1 June 2021)	- Member, Marketing and Innovation Director
Alon Haver (until 31 December 2021)	- Member of the Management Board

Key Management Board personnel compensation

Apart from the compensation listed below, there were no further benefits granted/paid to key management personnel. Key management personnel compensation can be presented as follows:

As at 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Salary and other short time benefit	352	292
Management bonus	95	83
Other	218	204
<i>Subtotal - Mr Yaron Shama</i>	665	579
Salary and other short time benefit	175	-
Management bonus	50	-
Other ⁽¹⁾	13	-
<i>Subtotal - Mrs Karolina Bronszewska</i>	238	-
Salary and other short time benefit	-	66
Termination fee	-	241
<i>Subtotal - Mr Rami Geris</i>	-	307
Salary and other short time benefit	384	429
Incentive plan linked to financial results	425	445
Other ⁽¹⁾	41	21
<i>Subtotal - Mr Andrzej Gutowski</i>	850	895
Salary and other short time benefit	1,531	1,549
Management bonus	754	736
Other ⁽¹⁾	749	728
<i>Subtotal - Mr Boaz Haim</i>	3,034	3,013
Total	4,787	4,793

(1) Mainly related to car expenses, flights and accommodation and an American school.

Notes to the Consolidated Financial Statements

30. Related parties continued

Key Management Board personnel compensation

On 23 November 2021 Mr. Alon Haver submitted his resignation from the position of the Member of the Management Board of the Company, with effective date as of 31 December 2021. During 2021 Mr. Alon Haver was also a Management Board member of the indirect major shareholder of the Company (A. Luzon Group) and due to the above fact he was not receiving any remuneration from Ronson Development SE nor from any of the Company's subsidiaries. The Company was covering expenses related to his activity as a Company's Management Board member, such as travel and accommodation expenses.

Loans to directors

As at 31 December 2021 and 31 December 2020, there were no loans granted to directors.

Other transactions with directors and management personnel

During the year ended 31 December 2021 the Group sold one Apartment to Mr Boaz Haim for a total net amount (excluding VAT) of PLN 369.1 thousand and one Apartment to the Company 100% owned by Alon Haver for a total net amount (excluding VAT) of PLN 378.3 thousand. Those transactions were executed at arm's length and was in adherence to the Group's policy in respect of related-party transactions.

During the year ended 31 December 2020 the Group sold three Apartment and one Parking Place to Mr Andrzej Gutowski for a total net amount (excluding VAT) of PLN 764 thousand. Those transactions were executed at arm's length and was in adherence to the Group's policy in respect of related-party transactions.

Supervisory Board remuneration

The supervisory directors are entitled to an annual fee of EUR 8,900 plus an amount of EUR 1,500 per board meeting (EUR 750 if attendance is by telephone). The total amount due in respect of Supervisory Board fees during 2021 and 2020 amounted to PLN 294 thousand (EUR 64.7 thousand) and PLN 333 thousand (EUR 75 thousand), respectively. In addition the Company paid social security contributions at the amount of PLN 40 thousand in the year ended 31 December 2020.

Mr Amos Luzon did not receive any direct remuneration from the Company nor from any of the Company's subsidiaries.

Loans granted to related parties

All loans granted to the joint venture (Coralchief Sp. z o.o. – Projekt 1 Sp.k. and Ronson IS sp. z o.o. Sp.k.). For additional information see Note 14.

Other

As a result of requirements pertaining to A. Luzon Group, one of the Company's larger (indirect) shareholders, whose shares are listed on the Tel Aviv stock exchange, the first quarter reports, semi-annual reports and third quarter reports are subject to a full scope review by the Company's auditors. For the Company itself that is listed on the Warsaw Stock Exchange, only the semi-annual report is subject to required review by the auditor. The Company has agreed with A. Luzon Group that the costs for the first and third quarter auditors' reviews will be shared between the Company and its shareholder.

Notes to the Consolidated Financial Statements

31. Financial risk management, objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Management Board reviews and agrees policies for managing each of these risks and they are summarized below. The Group also monitors the market price risk arising from all financial instruments.

The Group does not use derivative financial instruments to hedge currency or interest rate risks arising from the Group's operations and its sources of finance. It is, and has been throughout the year ended 31 December 2021 and 2020, the Group's policy that no trading in (derivative) financial instruments shall be undertaken.

The Group's principal financial instruments comprise cash balances, other current financial assets, loans granted to JVs and third parties, bank loans, bonds, trade receivables and trade payables. The main purpose of these financial instruments is to manage the Group's liquidity and to raise finance for the Group's operations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially expose the Group to concentrations of credit risk consist principally of cash and cash equivalents and receivables, loans granted to JV and third parties, as well as other current financial asset.

The Group is making significant cash payments as security for preliminary land purchase agreements. The Group minimizes its credit risk arising from such payments by registering advance repayment obligations in the mortgage register of the respective property. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis (analysis of overdue receivables from Clients, monitoring of the financial institutions credit risk, control of the liquidity situation of the JV and third parties). The Group does not expect any counter parties to fail in meeting their obligations. The carrying amounts of the financial assets represent the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was as follows:

As at 31 December	2021	2020
<i>In thousands of Polish Zloty (PLN)</i>		
Trade and other receivables and prepayments	10,830	16,484
Loans granted to third parties	1,621	-
Loans granted to joint ventures	319	11,634
Cash and cash equivalents	133,434	135,099
Other current financial assets	8,794	14,239
Total	154,997	177,456

The Group places its cash and cash equivalents and other current financial assets in financial institutions with high credit ratings. Management does not expect any counterparty to fail to meet its obligations. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Group's customer base. The credit quality of cash at banks and short-term bank deposits can be assessed by reference to external credit ratings. The Group uses the EuroRating Agency for the below analysis of credit risks of financial institutions.

Cash and cash equivalents

	As at 31 December 2021	As at 31 December 2020
<i>In thousands of Polish Zloty (PLN)</i>		
Rating		
A	84,263	69,008
BBB	6,080	5,937
BB	43,091	60,155
Total cash at banks and short-term bank deposits	133,434	135,099

Notes to the Consolidated Financial Statements

31. Financial risk management, objectives and policies

Credit risk

Other current financial assets

<i>In thousands of Polish Zloty (PLN)</i>	As at 31 December 2021	As at 31 December 2020
Rating		
A	7,608	2,605
BBB	1,051	-
BB	135	11,634
Total other current financial assets	8,794	14,239

The Group keeps cash and cash equivalents and other financial assets in four financial institutions.

Cash and cash equivalents and escrow accounts presented in Other financial assets in SoFP are considered to have low credit risk. The company holds the accounts in financial institutions with investment grade credit rating published by at least one major rating agency.

While Other financial assets and Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments, such as bond loans, bank loans, cash and cash equivalents. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

(i) Foreign currency risk

The Group is exposed to foreign currency risk on receivables and payables denominated in a currency other than PLN to a limited extent only. As at 31 December 2021 and 2020, trade receivables and payables denominated in foreign currencies were insignificant.

(ii) Price risk

The Group's exposure to marketable and non-marketable securities price risk does not exist because the Group has not invested in securities as at 31 December 2021 and as at 31 December 2020.

(iii) Interest rate risk

Except for Interest bearing deferred trade payables, the Group did not enter into any fixed-rate borrowings transaction. The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not exposed to interest rate risk.

Consolidated Financial Statements for the year ended 31 December 2021

Notes to the Consolidated Financial Statements

31. Financial risk management, objectives and policies continued

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and bond loans.

Interest rate risk and liquidity risk analyzed

In respect of income-earning financial assets and interest-bearing financial liabilities, the following tables indicate their average effective interest rates at the reporting date and the periods in which they mature or, if earlier, re-price.

As at 31 December 2021								
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	Average effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Fixed rate instruments								
Cash and cash equivalents	20	0,0%	131,121	131,121	-	-	-	-
Other current financial assets	19	0,0%	8,794	8,794	-	-	-	-
Loans granted to third parties		6,00%	1,621	-	1,621	-	-	-
Variable rate instruments								
Cash and cash equivalents	20	Wibor ON	2,312	2,312	-	-	-	-
		Wibor 3M+						
Secured bank loans	23	2,70% - 3,00%	(1,568)	(1,568)	-	-	-	-
		Wibor 6M +						
Floating rate bonds	23	3,5%-4,3%	(249,238)	(52,247)	-	(140,000)	(56,991)	-
		Wibor 6M +						
Loans granted to joint ventures	14	3,2%	319	-	319	-	-	-

As at 31 December 2020								
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	Average effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Fixed rate instruments								
Cash and cash equivalents	20	0.0%-0.1%	129,733	129,733	-	-	-	-
Other current financial assets	19	0,0%	14,239	14,239	-	-	-	-
Interest bearing deferred trade payables		4.90%	(8,482)	-	(8,482)	-	-	-
Variable rate instruments								
Cash and cash equivalents	20	Wibor ON	5,366	5,366	-	-	-	-
		Wibor 6M +						
Floating rate bonds	23	2.85%-4.3%	(230,072)	(54,640)	-	(116,345)	(59,087)	-
		Wibor 3M +						
Loans granted to joint ventures	14	4%	11,634	-	-	11,634	-	-

Notes to the Consolidated Financial Statements

31. Financial risk management, objectives and policies continued

Interest rate risk and liquidity risk analyzed

It is estimated that a general increase of one percentage point in interest rates at the reporting date would increase/(decrease) the net assets and the statement of comprehensive income by the amounts listed in the table below. The analysis prepared for 12-month periods assumes that all other variables remain unchanged.

<i>In thousands of Polish Zlotys (PLN)</i>	31 December 2021		31 December 2020	
	Increase by 1%	decrease by 1%	Increase by 1%	decrease by 1%
Income statement				
Variable interest rate assets	8	(8)	18	(18)
Variable interest rate liabilities*	(836)	836	(767)	767
Total	(828)	828	(749)	749
Net assets				
Variable interest rate assets	8	(8)	18	(18)
Variable interest rate liabilities*	(836)	836	(767)	767
Total	(828)	828	(749)	749

- * The financial costs which are related to loans and borrowing are capitalized by the Group to work-in-progress. Such costs are gradually recognized in the statement of comprehensive income based on the proportion of residential units sold. It has been assumed in the above analysis that one third of the financial costs calculated and capitalized in a given period is disclosed in the statement of comprehensive income based on the proportion of residential units sold of a given period and the remaining part of the costs remains in the inventories and will be disclosed in the statement of comprehensive income in the following accounting periods.

Consolidated Financial Statements for the year ended 31 December 2021**Notes to the Consolidated Financial Statements****31. Financial risk management, objectives and policies continued***Liquidity risk*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Year ended 31 December 2021				Total
	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years	
<i>In thousands of Polish Zlotys (PLN)</i>					
Liabilities					
Bond loans	62,847	54,025	211,019	-	327,891
Secured bank loans	1,568	-	-	-	1,568
Lease liabilities related to perpetual usufruct of land and investment property	1,131	2,398	3,389	11,158	18,076
Trade and other payables	60,263	-	-	-	60,263
Total	125,809	56,423	214,408	11,158	407,798
	Year ended 31 December 2020				
	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years	Total
<i>In thousands of Polish Zlotys (PLN)</i>					
Liabilities					
Bond loans	61,059	128,908	61,372	-	251,339
Secured bank loans	-	-	-	-	-
Interest bearing deferred trade payables	8,482	-	-	-	8,462
Lease liabilities related to perpetual usufruct of land and investment property	958	838	2,201	10,495	14,492
Trade and other payables	56,949	-	-	-	56,949
Total	127,985	130,175	64,000	10,495	332,635

Real-estate risk

The Company's and the Group's business activities are significantly affected by global developments, and in particular by their impact on the Polish economy in addition to the COVID 19 effect which the company experiencing in the last 2 years. The most important macroeconomic factors effecting the Company and the Group are: the level of development of the Polish economy, the level of interest rates in Poland, the performance of banks and their ability to provide financing to developers and their customers as well as the ability of other financial institutions to invest in corporate bonds.

In terms of risks specific for the sector, in which the Group operates, a potential increase in construction costs and the challenge of securing lands for reasonable prices and the significant impact of increased costs and land prices on the margins of new phases and projects, a prolongation of administrative procedures and an increasing competition in the market are considered to be the most significant uncertainties for the financial year ending 31 December 2021 and they will have an important influence on Group's operations in the future.

Notes to the Consolidated Financial Statements

31. Financial risk management, objectives and policies continued

Real-estate risk (cont'd)

Construction cost risk

Construction costs increased significantly over the last 2 years, and high increase especially in the 4th quarter of the 2021. There is a high risk that building costs may still be rising during 2022. The increase was mainly related to increase of raw materials and energy costs influencing directly and indirectly the costs of production adding to that the pandemic situation with a 4th wave and shortage of construction employees. The Company and the Group do not operate in a construction business, but, instead, for each project an agreement is concluded with a third-party general contractor, who is responsible for running the construction and for finalizing the project including obtaining all permits necessary for safe use of the apartments. In the year 2021 there were many changes in the constructions law, which impacted the cost of constructions as well as sharp increase in inflation rate, costs of raw materials and energy costs. In terms of construction law, the biggest change refers to the increase in fire safety in case of a change in the use of the building or its part. The notification should be accompanied by an expert's opinion on fire safety, which by the end might be reflected in the construction costs offered by the general contractor. On the 19th of October 2021 a new regulations regarding the participation of Developers on costs of building roads and infrastructure was adopted the new local law (at this stage in Warsaw) will enter into force on 1st January 2022, the new regulation forces developers where building residential or commercial development to invest money in rebuilding or building public roads required or in the vicinity of the developed projects as well as all related infrastructures base on certain charges related to the location of the development.

New building law introduced Eco solutions in new buildings is enforced by the new construction law which require the developer to implement some obligatory Eco Solutions elements in the Buildings in particular solar panels, charging stations for electric cars and other issues which might cause an increase in the total costs of construction.

In order to mitigate the risk of the increase in construction costs, the Group are signing a lump-sum contract with the general contractor, which will allow the Group to complete the project based on the estimated budget.

Risk of non-performance by General Contractors

In each project or stage of the project, the Group has concluded and will conclude contracts for the construction and implementation of development projects with one general contractor. There is a risk that non-performance of the agreement by the general contractor may cause delays in the project or significantly impact the business, financial condition or results of the Group. The Group sees a potential risk for non-performance of obligations by the general contractor in the availability of qualified workforce, in the increase of salaries and cost of construction materials and the increase of energy costs. Non-performance may result in claims against general contractor with the risk that general contractor may also fail to fully satisfy possible claims of the Company and the Group. The Company and the Group Implement selection criteria when hiring a general contractor, which include, experience, professionalism, financial strength of the general contractor (with the obligation to provide bank or insurance guarantee) as well as the quality of the insurance policy covering all risks associated with the construction process.

Financing risk

The real estate development business, in which the Company and the Group operates, requires significant initial expenditures to purchase land and to cover construction, infrastructure, and design costs. As such, the Company and the Group, in order to continue and develop its business, require significant amounts of cash through external financing banks and issuance of bonds. The Company's and Group's ability to obtain such financing depend on many factors, in particular, on market conditions which are beyond the Company's and the Group's control. In the event of difficulties to obtain the required financing, there is a risk that the scale of the Company's and Group's development and pace of achieving its strategic objectives may differ from what was originally planned. In such situation as described above, there is no certainty whether the Company and the Group will be able to obtain the required financing, nor whether financial resources will be obtained under conditions that are favourable to the Company and the Group.

In order to mitigate the risk of insufficient financial resources, the company is continuously exploring other possibilities of financial resources which will provide the necessary required financing and favourable conditions.

Notes to the Consolidated Financial Statements

31. Financial risk management, objectives and policies (cont'd)

Real-estate risk (cont'd)

Availability of mortgages

The demand for residential real estate largely depends on the availability of credits and loans for financing the purchase of apartments and houses by individuals. Possible increase in interest rates, deterioration of the economic situation in Poland or administrative restrictions on lending activities of the banks may cause a drop in demand for apartments and houses, and therefore a decrease in interest from potential buyers in the Group's development projects, which in turn may have a significant adverse impact on activities, financial standing or performance of the Company and the Group. In 2021, access to mortgages was selectively monitored by financing banks and was relatively available to selective customers according to bank qualifications. The Covid-19 pandemic had a negative effect on bank financing in terms of conditions and length for obtaining banks approvals. Interest rates in the beginning of the year were at levels around their historic minimum. A sharp increase in interest rates in particularly banks internal rates impacted significantly and will impact big portion of mortgage users to be eligible for residential mortgage financing and in most cases decrease the availability of mortgages due to creditworthiness of individuals. The Company is continuously observing the situation and offering administrative help to its clients for obtaining required credits.

Interest rate risk

A vast majority of loans and borrowings obtained by the Group is against variable interest rates that are based on WIBOR rates plus a margin. Therefore, changes in the WIBOR rates will have impact on the cash flow and the profitability of the Group.

Administration

The nature of real estate development projects requires a number of licenses, approvals and arrangements to be obtained by the Company and the Group at every stage of the development process. Despite significant caution applied in the project execution schedules, there is always a risk of delay in their obtainment. In addition there is always the risk of protests made against permits decisions which have already been issued (also due to appeals with no consequences for the appellants) or in the worse scenario failing to obtain the relevant permits. Additional risk might rise with respect to properties under perpetual usufruct. During the year 2020 and 2021 the company and the Group identify additional negative factor of COVID 19 which influences significantly on the way the Group cooperate with local authorities were certain offices were closed to public or were not accessible. All the above factors may affect the ability to conduct and complete its executed and planned projects.

Changes in legislation

Potential future changes in the legislation (contemplated deletion of open escrow accounts as well as the possible introduction of compulsory contributions to the developer guarantee fund), the new construction law and the new local regulations related to Road and instruction participation costs, also constitute a risk that could directly or indirectly affect the Company's and the Group's activities and results. The Management Board is in the opinion, that the possible introduction of such changes might have a negative impact on the Group's activities. In spite of that and taking under consideration the Company and the Group long term experience in the market it's ability to adjust quickly to the new market conditions, its financial situation and its reputation in the market. The management Board is in the opinion that these changes are of a lesser extent than on other market operators.

Frequent amendments, incoherence and lack of unified interpretation of legislation entail risks related to the legal and environment in which the Company and the Group operate. In particular the regulations and interpretations of tax legislations are subject to frequent changes. The practice of tax authorities, issued tax interpretations as well as judicial decisions in this area is not unified. In cases that Tax Authorities will adopt different interpretation of tax regulations from that of the Company, negative consequences can be expected with negative impact on the Company's business, its performance, its financial standing and Company's and Group's development prospects.

Notes to the Consolidated Financial Statements

31. Financial risk management, objectives and policies (cont'd)

Real-estate risk (cont'd)

Changes in legislation (cont'd)

Below are main changes in law regulations which can affect the company operations:

- Entry into force on 1 January 2022 of the new Polish Order which according to its assumptions, assumes resignation from the possibility of including depreciation charges on houses and flats in tax costs was especially important tax benefit to individuals and companies planning to purchase a property for rent.
- new local regulations regarding the participation of Developers on costs of building roads and infrastructure was adopted the new local law (at this stage in Warsaw) will enter into force on 1st January 2022, the new regulation forces developers where building residential or commercial development to invest money in rebuilding or building public roads required or in the vicinity of the developed projects well as all related infrastructures base on certain charges related to the location of the development.
- Act on the Protection of rights of buyers of residential premises and single family houses an implementation of the Developer Guarantee Fund, which will take hold starting on 1st July 2022.
- New regulations regarding building permit and design standards which may increase the costs of construction.

COVID-19

Following the second year of the COVID-19 pandemic, the Company witnessed the effect of the pandemic on the Polish market and believe that will continue effecting it probably for quite some time. During the reporting period the Company had experienced in some of its projects, delays related to administrative proceedings with obtaining permits which translated to delay in starting of projects, as direct result of COVID-19 restrictions, as well as in some cases delays by clients with obtaining Credit loans for purchasing of apartments.

The management Board will continue monitoring the situation on on-going basis, and adopt further actions, if necessary, in order to reduce as much as it possible the effect of the pandemic on the Company's operations and strategy.

Inflation risk

Poland's inflation for December 2021 was up 8.6% Year-on-Year. The price of consumer goods (the Consumer Price Index) jumped by 9% YoY, while the price of services increased by 7.6% YoY.

High inflation pressure is generated by energy (electricity, gas, heating, gasoline, diesel), which was about 20% more expensive than in December of 2020. This increase is adding up into the prices of other goods and services. Following this sharp increase in the inflation rate, Poland shifted its monetary policy by lifting its main interest rates from nearly zero % to almost 3% in the end of the reporting period.

The inflation growth and with it the interbank interest growth will affect the polish economy in many aspects and the real estate residential sector in the following

- the risk of average mortgage rates increases which might result in decline in volume of mortgages lending which will influence reduce the demand from individual clients.
- risk of Increase in construction costs, related to problems of manufacturing and energy and transportation.
- risk in delay or withholding of starting new projects due to high costs.
- Significantly increase in Bonds interest rates which directly affects the Group cash flow.

The management Board will continue monitoring the situation, and adopt further actions, if necessary, in order to reduce as much as it possible the effect of the inflation and interest rates increase on the Company's operations and strategy.

Notes to the Consolidated Financial Statements

32. Capital management

When managing capital, it is the Group's objective to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the profit appropriation, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio and leverage. The Group's policy is to keep the gearing ratio of the Group lower than 60%, and a leverage of the Group lower than 50%.

Banking covenants vary according to each loan agreement, but typically are not related directly to the gearing ratio of the Company but to the proportion of loan to value of the mortgage collateral which usually is required not to cross the limit of 70% or 75%. Moreover the Company is obliged to monitor its indebtedness according to the conditions of the bond issuance, which require, amongst others, that in each reporting period the Company shall test the ratio between Net debt to Equity. The Ratio shall not exceed 80% (for additional information see Note 23).

The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated Statement of Financial Position) less cash and cash equivalents and less Other current financial assets. Leverage is calculated as net debt divided by total capital employed. Total capital employed is calculated as 'equity' as shown in the Consolidated Statement of Financial Position plus net debt financing assets in operation.

The gearing ratios and leverage at 31 December 2021 and 31 December 2020 were as follows:

As at 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Loan and borrowings, including current portion	250,806	230,072
Interest bearing deferred trade payables	-	8,482
Less: cash and cash equivalents	(133,434)	(135,099)
Less: other current financial assets	(8,794)	(14,239)
Net debt	108,578	89,216
Total equity	420,045	379,817
Total capital employed	528,623	469,033
Gearing ratio	25.8%	23.5%
Leverage	20.5%	19.0%

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements. There were no changes in the Groups approach to capital management during the year.

During the period the Group did not breach any of its loan and borrowings covenants, nor did it default on any other of its obligations under its loan agreements.

33. Cash flow reconciliation

Inventory and Residential land bank

For the year ended 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance sheet change in inventory	43,298	52,134
Finance expense, net capitalized into inventory	10,174	6,875
Impact of perpetual usefruct recognition/transfer to trade receivables	3,480	(8,266)
Purchase of land presented in separate line in operating cash flow	113,784	25,500
Transfer of fixed asset to inventory	747	-
Aquisition of Studzienna	-	628
Write-down of inventory	(3,793)	(1,326)
Other	(314)	(3,783)
Change in inventory in the consolidated statement of cash flows	167,376	71,762

Consolidated Financial Statements for the year ended 31 December 2021

Notes to the Consolidated Financial Statements

33. Cash flow reconciliation (cont'd)

Trade and other receivables and prepayments

For the year ended 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance sheet change in trade and other receivables and prepayments	(20,806)	(12,629)
Impact of transferred perpetual usufruct to trade receivables (delivered units)	(569)	960
Transfer to Intangible assets from prepayments	(1,458)	-
Notary deposit transferred to advances for land	(5,500)	-
Other	(604)	-
Change in Trade and other receivables and prepayments in the consolidated statement of cash flows	(28,937)	(11,669)

Trade and other accounts payable

For the year ended 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance sheet change in Trade and other accounts payable	(2,739)	(29,917)
Impact of transferred perpetual usufruct to trade payables (delivered units)	576	409
Transfer from interest bearing trade payables	(1,698)	174
Unpaid invoices for tangible assets	(115)	-
Acquisition of the Nova Królikarnia project	-	46,914
Change in Trade and other payables and accrued expenses in the consolidated statement of cash flows	1,502	17,580

34. Information about agreed-upon engagements of the Company's auditor

Information about audit agreements and the values from those agreements is disclosed below:

For the year ended 31 December	2021	2020
<i>In thousands of Polish Zlotys (PLN)</i>		
Audit and review remuneration	464	460
Other services	77	46
Audit remuneration for prior periods	-	-
Reimbursed audit review costs ⁽¹⁾	(117)	(127)
Total remuneration for the expense of the Company	424	379

(1) Costs in respect of the audit review of the Company's first and third quarter reports have been reimbursed in 50% to Main Company's shareholder.

35. Events during the financial year

Commencements of new projects

The table below presents projects which have been commenced in the year ended 31 December 2021:

Project Name	Location	Number of units	Area of units (m ²)
Ursus Centralny IIb	Warszawa	206	11,758
Viva Jagodno IIa	Wrocław	76	4,329
Grunwaldzka	Poznań	70	3,351
Miasto Moje VI	Warszawa	227	11,722
Nowe Warzymice III	Szczecin	62	3,535
Viva Jagodno IIb	Wrocław	152	8,875
Ursus Centralny IIc	Warszawa	219	11,124
Total		1,012	54,694

Consolidated Financial Statements for the year ended 31 December 2021

Notes to the Consolidated Financial Statements

35. Events during the financial year

Completions of projects

The table below presents projects which have been completed in the year ended 31 December 2021 and for which the occupancy permit was received and the delivery process of apartments has started:

Project name	Location	Occupancy permit date	Number of units	Area of units (m ²)
Nova Królikarnia 3b	Warszawa	16 February 2021	23	2,270
Vitalia III	Wrocław	2 March 2021	81	6,790
Ursus Centralny Ia	Warszawa	23 March 2021	138	7,542
Nova Królikarnia 3a	Warszawa	27 April 2021	31	3,188
Nova Królikarnia 3c	Warszawa	14 May 2021	23	2,298
Nowe Warzynie I	Szczecin	21 May 2021	54	3,234
Viva Jagodno I	Wrocław	21 July 2021	121	6,241
Miasto Moje IV	Warszawa	29 October 2021	176	8,938
Ursus Centralny IIa	Warszawa	8 November 2021	251	13,509
Panoramika VI	Szczecin	16 November 2021	75	3,591
Total (excluding JV)			973	57,601
Wilanów Tulip ⁽¹⁾	Warszawa	21 September 2021	149	9,574
Total (including JV)			1,122	67,174

(1) Project is presented in Consolidated Financial Statement under investment in joint venture; the Company's share is 50%.

Purchase of land

The table below presents the summary of the signed final purchase agreements of land during the year ended 31 December 2021:

Location	Type of agreement	Signed date	Agreement net value (PLN million)	Paid net till 31 December 2021 (PLN million)	Number of units	Potential PUM
Poznań, Grunwald	final	11 Feb 2021	26.0	26.0	343	19,790
Warsaw, Wola	final	29 June 2021	13.5	13.5	84	4,800
Warsaw, Białołęka	final	11 Aug 2021	13.1	13.1	191	11,000
Szczecin, Północ	final	27 Oct 2021	21.0	21.0	555	26,500
Warsaw, Ursynów*	final	27 Oct 2021	11.2	11.2	86	3,500
Warsaw, Bemowo	final	14 Dec 2021	12.7	12.7	64	3,860
Warsaw, Ursynów*	final	21 Dec 2021	7.5	7.5	95	4,000
Warsaw, Białołęka	final	28 Oct 2021	36,9	36,9	651	31,300
Total			141.9	141.9	2,069	104,750

* land designated for PRS activity and presented as Investment property in the Consolidated Financial Statements

Consolidated Financial Statements for the year ended 31 December 2021

Notes to the Consolidated Financial Statements

35. Events during the financial year (continued)

Purchase of land

The table below presents the summary of the signed final purchase agreements of land during the year ended 31 December 2021:

Location	Type of agreement	Signed date	Agreement net value (PLN million)	Paid net till 31 December 2021 (PLN million)	Number of units	Potential PUM
Warsaw, Białołęka*	preliminary	23 Nov 2020	20.0	13.4	432	20,700
Warsaw, Ursus	preliminary	17 Jan 2021	140.0	10.0	1,860	100,000
Warsaw, Ursynów	preliminary	3 Mar 2021	16.0	9.0	94	5,700
Warsaw, Targówek	preliminary	2 June 2021	14.0	4.0	125	6,875
Warsaw, Ochota	preliminary	10 Aug 2021	10.0	7.1	67	3,700
Warsaw, Bemowo	preliminary	16 Oct 2021	45.4	5.0	267	14,500
Warsaw, Białołęka	preliminary	28 Oct 2021	14.5	11.9	219	11,300
Warsaw, Wola**	preliminary	23 Dec 2021	23.0	-	570	18,790
Warsaw, Ursynów	preliminary	29 Dec 2021	16.0	2.0	142	8,400
Total			298.9	62.4	3,776	189,965

* During the month of February 2021 the Company signed final agreement for 3 plots connected to Epopei project for the total net amount of PLN 5.9 million which is part of the total purchase price for the project

** The agreement value is EURO 5 million converted to PLN as at 31.12.2021.

Conclusion of a material agreement for General contractors

Project name	Location	Number of units	General contractor	Agreement signing date	Agreement net value (in mio PLN)	Additional provisions
Viva Jagodno II	Wrocław	228	Karmar S.A.	11 February 2021	53.0	- an increase of 1 million for additional works - additional works for the amount of PLN 2.4 million
Ursus IIB and IIC	Warsaw	401	Karmar S.A.	28 May 2021	93.8	- remuneration may also be increased by an amount up to PLN 1.5 million net, if the conditions set out in the contract and beyond the control of the parties are met
Grunwaldzka Nowe Warzymice III	Poznań Szczecin	70 63	Karmar S.A. Ebud S.A.	28 May 2021 23 June 2021	18.0 12.9	none
Miasto Moje VI	Warsaw	227	Hochtief S.A.	24 June 2021	51.4	- 400 thousand PLN relates to the costs of work to future stages of Miasto Moje investment
Siekierki I	Warsaw	227	TOTALBUD S.A.	23 December 2021	27.3	under the provision that the Building permit will be obtained until 31 January 2022
Total					256.4	

Notes to the Consolidated Financial Statements

35. Events during the financial year (continued)

Changes in the Management Board and Supervisory Board

On 27 May 2021 the Supervisory Board, acting pursuant to Article 8.1 of the articles of association of the Company, appointed, effective as of 1 June 2021, Ms. Karolina Bronszewska to the position of Marketing and Innovation Member of the Management Board of the Company for a five-year joint term of office of the Management Board, which commenced on 1 April 2019.

At the same time, the Management Board informs that in connection with the appointment of Ms. Karolina Bronszewska to the position of the Marketing and Innovation Management Board Member, the name of Mr. Andrzej Gutowski's position has changed from "Sales and Marketing Vicepresident" to "Sales Vicepresident".

On 23 November 2021, the Management Board informs that Mr. Alon Haver submitted his resignation from the position of the Member of the Management Board of the Company, with effective date as of 31 December 2021. According to the submitted termination notice, the resignation is connected with his new professional plans as well as the resignation covers all positions in the Luzon Group (the main indirect shareholder of the Company) and the Ronson Group.

There were no changes in Supervisory Board during the year ended 31 December 2021.

Notifications from Amos Luzon Development and Energy Group Ltd. of the a change of the ownership interest in the shares in Ronson Development SE

On 13 August 2021 the Company was notified by its indirect majority shareholder, Amos Luzon Development and Energy Group Ltd., with its registered office in Ra'anana, Israel (the "Majority Shareholder"), that the Majority Shareholder acquired as part of the block trades conducted on the regulated market maintained by the Warsaw Stock Exchange a total of 41,505,074 shares in the share capital of the Company. After this transaction A. Luzon Group owned directly and indirectly (via ITR Dori BV and via the Company who is holding own shares) 92.32% of the share capital of the Company (151,422,215 shares in total). From 13 August to 31 December 2021 the Company was notified many times by the Majority Shareholder (also in connection with a fact that he is a related party of Mr. A. Luzon – Chairmen of the Supervisory Board) about acquisition of additional 4,383,800 Company's shares, corresponding to 2.68 in the share capital of the Company. According to those notifications, as at 31 December 2021 the Majority Shareholder owned (directly and indirectly) 94.9970% shares in the share capital of the Company (including own shares held by the Company – it shall be noted that in accordance with art. 364 § 2 of the Code of Commercial Companies, the Company does not exercise voting rights from own shares).

36. Subsequent events

Purchase of land

On 4 January 2022 the Company (via its subsidiary) signed an annex to the preliminary agreement concerning the purchase of the ownership rights of a plot of land located in Warsaw, Białołęka district, with an area of c.a. 27,5 m² on which basis the final agreement date was prolonged to 31 December 2022 the Company has been granted the right to withdraw from the Preliminary Agreement by the date of the final agreement in any case and without giving any reason. The remaining material provisions of the Preliminary Agreement did not change.

Notes to the Consolidated Financial Statements

36. Subsequent events

Purchase of land (cont'd)

On 4 January 2022 the Company (via its subsidiary) signed an annex to the preliminary agreement concerning the purchase of the perpetual usufruct right of a plot of land located in Warsaw, Ursynów district, from 3 March 2021, with a area 2.4 thousand m². Net price was preliminary established in amount of PLN 15.9 million. On its basis, the price for the Property was lowered to amount PLN 11.9 million, while the remuneration for obtaining and transferring to the Company by the Seller the decision on land development conditions for the Property was raised, so that the entire amount to be paid by the Company for the Property and the decision on land development conditions remained unchanged. According to the Company's initial evaluation it shall be feasible to construct on the property a multifamily residential building with underground car parks, commercial areas and the necessary infrastructure with a total usable area of approx. 5.7 thousand m².

On 11 January 2022 the Company (via its subsidiary) entered into final agreement concerning the purchase of the perpetual usufruct right of a plot of land located in Warsaw, Białołęka district, with an area of c.a. 14.9 thousand m². The price of the property was set for 1.200 net for each square meters of the usable floor area of the buildings that can be built on the property ("PUM"). According to Issuers initial evaluation it shall be feasible to construct on the Property a development project with the total PUM area of approx. 10,000 sqm.

In connection with the receipt of a declaration of waiver of the pre-emption right from the State Forests, on 13 January 2022 the Company (via its subsidiary) concluded final agreement for transfer of ownership of remaining part of the real estate, with an area of 1.8 hectare and paid the net price for this real estate in the amount of PLN 12 million. Additionally, concluded also agreement for the purchase of a plot with an area of approx. 0.37 hectare for a net price of PLN 2.5 million. The Company plans to build on this plot a road for the development project carried out on the Property.

On 16 February 2022 the Company (via its subsidiary) entered into preliminary agreement concerning the purchase of the perpetual usufruct right of a plot of land located in Warsaw, Bemowo district, with an area of 0.5447 hectare m² for amount of PLN 9 million. The sale agreement will be concluded on condition that National Centre for Agricultural Support (*Krajowy Ośrodek Wsparcia Rolnictwa*), institution of Public Treasury (*Skarb Państwa*) declared a waiver of the pre-emption right.

On 22 February 2022 the Company (via its subsidiary) entered into final agreement concerning the purchase of the perpetual usufruct right of a plot of land located in Warsaw, Bemowo district, with an area of 0.1323 hectare m² for net amount of PLN 25.920 thousands.

Conclusion on investment agreements

On 1 February 2022 Ronson Development SE (the "Issuer") and Amos Luzon Development and Energy Group Ltd., the Issuer's controlling shareholder, concluded SAFE agreements with Sphera Master Fund L.P., More Provident Funds Ltd., Sphera Small Cap Fund L.P. and EJS Galatee Holdings (the "Investors") pursuant to which the Investors undertook, subject to certain conditions, to invest in the Issuer the total amount of ILS 45 million (forty-five million Israeli shekels). The above amount will be received by the Issuer following the satisfaction of certain conditions precedent set out in the agreements, such conditions to be satisfied within thirty days from the conclusion of the respective agreement (such term may be extended by each party by additional 30 days). The above agreements grant the Investors certain rights applicable after the Issuer is delisted from the regulated market of the Warsaw Stock Exchange, including the right to subscribe for instruments convertible into shares in the Issuer, as well as the right to convert their respective investments into shares in Amos Luzon Development and Energy Group Ltd.

Notes to the Consolidated Financial Statements

36. Subsequent events

Conclusion on investment agreements

On 20 February 2022 Ronson Development SE (the "Issuer") and Amos Luzon Development and Energy Group Ltd., the Issuer's controlling shareholder, concluded SAFE agreements with Klirmark Opportunity Fund III L.P. (the "Investor") pursuant to which the Investor undertook, subject to certain conditions, to invest in the Issuer the total amount of ILS15 million (fifteen million Israeli shekels). The above amount will be received by the Issuer following the satisfaction of certain conditions precedent set out in the agreements, such conditions to be satisfied within thirty days from the conclusion of the respective agreement (such term may be extended by each party by additional 30 days). The above agreements grant the Investors certain rights applicable after the Issuer is delisted from the regulated market of the Warsaw Stock Exchange, including the right to subscribe for instruments convertible into shares in the Issuer, as well as the right to convert their respective investments into shares in Amos Luzon Development and Energy Group Ltd.

Conclusion of a material agreement for General contractors

On the 1 February 2022 the Company (via its subsidiary) executed an option to mandate 'EBUD' Przemysłówka Sp. z o.o. (the General contractor) with the execution of stage IV of Nowe Warzymice investment. The construction works will commence on beginning of March 2022. Completion of substage IV is envisaged within 17 months as of commencement. Nowe Warzymice IV consists of residential building (75 units). The fee for the General contractor under this agreement will amount to PLN 16.8 million.

On the 4 March 2022 the Company (via its subsidiary) executed an option to mandate TECHBAU BUDOWNICTWO Sp. z o.o. (the General contractor) with the execution of Falenty I investment. The construction works will commence in March 2022. Completion of the investment is envisaged within 19 months as of commencement. Falenty I consists of 21 family houses, all the houses are 2 apartments buildings. The fee for the General contractor under this agreement will amount to PLN 19.15 million, net of VAT.

New Building permits

On 22 January 2022 the Company has obtained a legally valid building permit for Nowe Warzymice IV project in Szczecin comprising of 75 units with an aggregated floor space of 3,800 m².

On 15 March 2022 the Company has obtained a legally valid building permit for Smardzewska project in Poznań comprising of 96 units with an aggregated floor space of 5,500 m².

Purchase of shares by the majority shareholder

After the 31 December 2021, the Company was informed several times by the majority shareholder about the acquisition of additional shares of the Company. As a result of these transactions, on 17 January 2022, the Majority Shareholder informed the Company about exceeding (together with its subsidiaries) 95% in the share capital of the Company.

Due to the exceeding of the threshold referred to above, on 14 February 2022, the Company's shareholder, Amos Luzon Development and Energy Group Ltd., announced a request for a compulsory buyout of the Company's shares belonging to all its other shareholders. After the compulsory buyout (settlement was made on 17 February 2022), Luzon Group now holds, directly and indirectly, 100% of the share capital of the Company.

Withdrawal of the Company's shares from trading on the regulated market

On 8 March 2022, the General Meeting of the Company was held, at which the shareholders adopted a resolution on withdrawing the Company's shares from trading on the regulated market. In connection with the adoption of the above resolution, on 9 March 2022, the Company submitted an application to the Polish Financial Supervision Authority for authorization to withdraw the Company's shares from trading on the regulated market.

Notes to the Consolidated Financial Statements

36. Subsequent events

Effect of the War Conflict on the real estate industry

The security and political situation in Europe due to the War conflict between Russia and Ukraine directly affects the real estate industry. At this point of time it is very hard to access how the effect of the War in Ukraine will impact the European economy. A significant deterioration in the security situation may lead to certain implications of the European economy, the Polish economy and thereafter Polish real estate sector.

The possible economic impact of the Crises in Ukraine on the European economy might have several possible paths:

- Energy Supply disrupt/ shortage (oil and gas);
- Humanitarian Crises and refugees problem all over Europe;
- Energy price surge;
- Increase in inflation rates due to higher energy prices and product prices.

Each of the elements and the combination of them can impact dramatically on the global economy and in terms of risks specific for the sector in which the Group operate, we can expect a decrease in the demand for housing, disruption or change of monetary policy toward real estate projects by financing banks , a rise in labor costs, shortage of construction employees, shortage in construction materials and further increase in costs of energy and materials.

All the above factors may affect the ability of the company and the Group to conduct and complete its executed and planned projects.

The Company is continuously observing the situation in order to asses it's impact on the company operations. It will help to mitigate as much as possible the impact of this crises on the Company Operations.

The Management Board

Boaz Haim

President of the Management Board

Yaron Shama

Vicepresident of the Management Board, CFO

Andrzej Gutowski

Vicepresident of the Management Board,
Sales Director

Karolina Bronszewska

Member of the Management Board,
Marketing and Innovation Director

Anna Rzeczowska

Person responsible for preparation of the
financial statements

Warsaw, 16 March 2022