Ronson Development SE

Consolidated Financial Statements

for the year ended 31 December 2023

Management Board

Boaz Haim, *President of the Management Board*
Yaron Shama, *Finance Vice-President of the Management Board*
Andrzej Gutowski, *Sales Vice-President of the Management Board*
Karolina Bronszewska, *Member of the Management Board for Marketing and Innovation*

Supervisory Board

Amos Luzon, *Chairman*
Alon Kadouri, *Member of the Supervisory Board*
Ofer Kadouri, *Member of the Supervisory Board*

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
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Consolidated Statement of Financial Position

As at 31 December *In thousands of Polish Zlotys (PLN)*	*Note*	2023	2022
Assets			
Non-current assets			
Property and equipment	*12*	7 506	7 556
Investment property	*13*	83 220	63 139
Intangible fixed assets		468	686
Investment in joint ventures	*14*	532	2 331
Deferred tax assets	*15*	6 369	8 830
Land designated for development	*16*	21 663	21 094
Total non-current assets		**119 759**	**103 636**
Current assets			
Inventory	*16*	792 488	747 254
Trade and other receivables and prepayments	*17*	53 539	65 620
Advances for Land	*18*	17 550	20 650
Income tax receivable		3 450	691
Loans granted to others		-	1 717
Loans granted to joint ventures	*14*	145	133
Other current financial assets	*19*	12 809	11 217
Cash and cash equivalents	*20*	203 860	51 185
Total current assets		**1 083 841**	**898 467**
Total assets		**1 203 599**	**1 002 103**
Equity and liabilities			
Equity			
Shareholders' equity	*21*		
Share capital		12 503	12 503
Share premium		150 278	150 278
Share based payment reserve		1 571	-
Treasury shares		(1 732)	(1 732)
Retained earnings		371 052	290 347
Total equity/Equity attributable to equity holders of the parent		**533 672**	**451 396**
Liabilities			
Non-current liabilities			
Floating rate bond loans	*23*	118 676	158 110
Liability to shareholders measured at amortised costs	*25*	19 519	-
Deferred tax liability	*15*	36 350	23 809
Lease liabilities related to perpetual usufruct of investment property	*24*	720	663
Total non-current liabilities		**175 265**	**182 583**
Current liabilities			
Trade and other payables and accrued expenses	*26*	89 762	75 055
Floating rate bond loans	*23*	99 834	40 000
Other payables - accrued interests on bonds	*23*	6 810	5 260
Secured bank loans	*23*	8 815	16 297
Interest bearing deferred trade payables	*26*	9 538	-
Advances received	*27*	234 175	139 911
Income tax payable		534	70
Provisions		3 103	3 704
Lease liabilities related to perpetual usufruct of land	*24*	36 017	17 322
Liability to shareholders measured at amortised costs	*25*	6 074	-
Financial liability measured at FVPL	*25*	-	70 506
Total current liabilities		**494 662**	**368 124**
Total liabilities		**669 927**	**550 707**
Total equity and liabilities		**1 203 599**	**1 002 103**

The notes on pages 5 to 72 are an integral part of these Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	*Note*	2023	2022
Revenue from sales of residential projects	*5*	395 492	300 259
Revenue		**395 492**	**300 259**
Cost of sales of residential projects	*5*	(256 103)	(220 832)
Cost of sales		**(256 103)**	**(220 832)**
Gross profit		**139 388**	**79 427**
Changes in the fair value of investment property	*13*	8 293	303
Selling and marketing expenses	*6*	(5 664)	(4 565)
Administrative expenses	*7*	(28 029)	(25 505)
Share of the profit from joint ventures accounted for using the equity method	*14*	(749)	1 278
Other expenses	*8*	(8 317)	(5 200)
Other income	*9*	1 281	2 714
Result from operating activities		**106 204**	**48 452**
Finance income	*10*	4 261	3 520
Finance costs	*10*	(13 868)	(8 414)
Gain/loss in fair value of financial instrument at fair value through profit and loss	*25*	6 422	4 121
Net finance income/(cost)		**(3 185)**	**(773)**
Profit before taxation		**103 019**	**47 679**
Income tax expense	*11*	(22 314)	(16 328)
Profit for the year		**80 705**	**31 351**
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		**80 705**	**31 351**
Total profit for the year attributable to:			
Equity holders of the parent	*22*	80 705	31 351
Non-controlling interests		-	-
Total profit for the year		**80 705**	**31 351**
Total comprehensive income attributable to:			
Equity holders of the parent	*22*	80 705	31 351
Non-controlling interests		-	-
Total comprehensive income for the year, net of tax		**80 705**	**31 351**
Weighted average number of ordinary shares (basic and diluted)	*22*	162 442 859	162 442 859
In Polish Zlotys (PLN)			
Net earnings per share attributable to the equity holders of the parent (basic)	*22*	**0,497**	**0,193**
Net earnings per share attributable to the equity holders of the parent (diluted)	*22*	**0,497**	**0,193**

The notes on pages 5 to 72 are an integral part of these Consolidated Financial Statements

Consolidated Statement of Changes in Equity

In thousands of Polish Zlotys (PLN)	Attributable to the Equity holders of the parent					
	Share capital	Share premium	Share based payment reserve	Treasury shares	Retained earnings	Total Equity attributable to the Equity holders of the parent
Balance at 1 January 2023	12 503	150 278	**-**	(1 732)	290 347	451 396
Comprehensive income:						
Profit for the year ended 31 December 2023	-	-	-	-	80 705	80 705
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**80 705**	**80 705**
Share based payment	-	-	1 571	**-**	**-**	**1 571**
Balance at 31 December 2023	**12 503**	**150 278**	**1 571**	**(1 732)**	**371 052**	**533 672**

In thousands of Polish Zlotys (PLN)	Attributable to the Equity holders of the parent				
	Share capital	Share premium	Treasury shares	Retained earnings	Total Equity attributable to the Equity holders of the parent
Balance at 1 January 2022	**12 503**	**150 278**	**(1 732)**	**258 996**	**420 045**
Comprehensive income:					
Profit for the year ended 31 December 2022	-	-	-	31 351	**31 351**
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**31 351**	**31 351**
Balance at 31 December 2022	**12 503**	**150 278**	**(1 732)**	**290 347**	**451 396**

The notes on pages 5 to 72 are an integral part of these Consolidated Financial Statements

Consolidated Statement of Cash Flows

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	*Note*	2023	2022
Cash flows from/(used in) operating activities			
Profit for the period		80 705	31 351
Adjustments to reconcile profit for the period to net cash from /(used in) operating activities			
Depreciation and amortization		846	871
(Increase)/decrease in fair value of investment property		(8 313)	(359)
Write-down of inventory		-	482
Finance expense		13 715	8 330
Finance income		(4 136)	(1 929)
Foreign exchange rates differences gain/(loss)		28	(1 507)
Gain in fair value of financial instrument at fair value through profit or loss		(6 422)	(4 121)
Share of profit from joint ventures		749	(1 327)
Share based payment		1 571	-
Income tax expense	*11*	22 314	16 327
Subtotal		**101 057**	**48 118**
Decrease/(increase) in inventory and land designated for development (excluding purchase of land)	*34*	11 908	(996)
Profit on sale of property, plant and equipment		(34)	-
Purchases of land	*16*	(16 000)	(55 246)
Decrease/(increase) in advances for land		(4 000)	-
Decrease/(increase) in trade and other receivables and prepayments	*34*	16 492	(11 347)
Decrease/(increase) in other current financial assets		(1 592)	(2 423)
Increase/(decrease) in trade and other payables and accrued expenses	*34*	21 365	(9 777)
Increase/(decrease) in provisions		(601)	1 576
Increase/(decrease) in advances received		94 264	(58 316)
Subtotal		**222 858**	**(88 412)**
Interest paid		(23 935)	(16 072)
Interest received		3 807	1 708
Income tax paid	*11*	(9 605)	(8 998)
Net cash from/(used in) operating activities		**193 124**	**(111 774)**
Cash flows from/(used in) investing activities			
Acquisition of property and equipment		(337)	(360)
Outflow for purchase investment property		(10 617)	(10 468)
Repayments of loans granted to joint ventures		-	197
Dividend received from joint ventures		1 073	2 831
Proceeds from sale of property and equipment		53	-
Net cash from/(used in) investing activities		**(9 828)**	**(7 800)**
Cash flows from financing activities			
Proceeds from bank loans, net of bank charges	*23*	95 552	95 788
Repayment of bank loans	*23*	(104 020)	(83 209)
Proceeds from bond loans, net of charges	*23*	59 137	-
Repayment of bond loans	*23*	(40 000)	(50 000)
Repayment of Liability to shareholders measured at amortized costs	*25*	(40 000)	-
Payment of perpetual usufruct rights	*24*	(1 290)	(1 206)
SAFE Agreement	*25*	-	74 626
Net cash from/(used in) financing activities		**(30 621)**	**35 999**
Net change in cash and cash equivalents		**152 675**	**(83 575)**
Cash and cash equivalents at beginning of period		51 185	133 434
Effects of exchange rate changes on cash and cash equivalents		-	1 326
Cash and cash equivalents at end of period		**203 860**	**51 185**

** Including restricted cash that amounted to PLN 13 303 thousand and PLN 9 353 thousand as 31 December 2023 and as 31 December 2022, respectively.*

Notes to the Consolidated Financial Statements

Note 1 - Background and business of the Company

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.

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 developing new activity, so-called Private Rent Sector (PRS). PRS is sector of Poland’s residential market in which buildings are designed and built specifically for renting. The Company prepared Consolidated Financial Statements for the year ended 31 December 2023, which was authorized for issue on 12 March 2024.

As at 31 December 2023, Amos Luzon Development and Energy Group Ltd. ("A. Luzon Group"), the ultimate parent company, controlled 100% of the Company's shares, including directly holding 32.98% of the Company's shares, indirectly, through its wholly-owned subsidiary Luzon Ronson N.V. (former name I.T.R. Dori B.V.), held 66.06% of the Company's shares and the remaining 0.96% of the Company's shares were treasury shares. On 29 June 2023, the then shareholders of the Company, i.e. A. Luzon Group and I.T.R. Dori B.V. (now under the name Luzon Ronson N.V.) entered into an agreement to reorganize the business of A. Luzon Group. As part of this reorganization, a new Israeli company, Luzon Ronson Properties Ltd. was established, to which the shares in the Company held directly by A. Luzon Group (approximately 32.98% of the share capital) were transferred on 16 January 2024. Subsequently, A. Luzon Group on 25 January 2024 disposed of its entire shareholding in Luzon Ronson Properties Ltd. to Luzon Ronson N.V. (previous name I.T.R. Dori B.V.). In summary, as at the date of publication of these financial statements, A. Luzon Group, the ultimate parent company, indirectly controls through its subsidiary Luzon Ronson N.V. (former name I.T.R. Dori B.V.) 100% of the Company's share capital, i.e. 164,010,813 ordinary bearer shares, including 1,567,954 (approximately 0.96% of the Company's share capital) of the Company's own shares. Luzon Ronson N.V. holds 108,349,187 shares (approximately 66.06% of the Company's share capital) directly, 54,093,672 shares (approximately 32.98% of the Company's share capital) through its wholly-owned subsidiary Luzon Ronson Properties Ltd. and the remaining 1,567,954 (approximately 0.96% of the Company's share capital) are Company's own shares. The beneficial owner of the Company is Mr Amos Luzon, who is also the Chairman of the Supervisory Board of the Company.

The projects managed by the Group 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. 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 2023 and as at 31 December 2022, are presented below and on the following page.

	Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
			31 December 2023	31 December 2022
a.	**held directly by the Company:**			
1	Ronson Development Management Sp. z o.o.	1999	100%	100%
2	Ronson Development Sp. z o.o.	2006	100%	100%
3	Ronson Development Construction Sp. z o.o.	2006	100%	100%
4	City 2015 Sp. z o.o.	2006	100%	100%
5	Ronson Development Village Sp. z o.o.(1)	2007	100%	100%
6	Ronson Development Skyline Sp. z o.o.	2007	100%	100%
7	Ronson Development Universal Sp. z o.o.(1)	2007	100%	100%
8	Ronson Development South Sp. z o.o.(4)	2007	100%	100%
9	Ronson Development Partner 5 Sp. z o.o.	2007	100%	100%
10	Ronson Development Partner 4 Sp. z o.o.	2007	100%	100%
11	Ronson Development Providence Sp. z o.o.	2007	100%	100%
12	Ronson Development Finco Sp. z o.o.	2009	100%	100%
13	Ronson Development Partner 2 Sp. z o.o.	2009	100%	100%
14	Ronson Development Partner 3 Sp. z o.o.	2012	100%	100%
15	Ronson Development Studzienna Sp. z o.o.	2019	100%	100%
16	Ronson Development SPV1 Sp. z o.o.	2021	100%	100%
17	Ronson Development SPV2 Sp. z o.o.	2021	100%	100%
18	Ronson Development SPV3 Sp. z o.o.	2021	100%	100%
19	Ronson Development SPV4 Sp. z o.o.	2021	100%	100%

Notes to the Consolidated Financial Statements

Note 1 - Background and business of the Company

	Entity name	Year of incorporation	Share of ownership & voting rights at the end of 31 December 2023	31 December 2022
20	Ronson Development SPV5 Sp. z o.o.	2021	100%	100%
21	Ronson Development SPV6 Sp. z o.o.	2021	100%	100%
22	Ronson Development SPV7 Sp. z o.o.	2021	100%	100%
23	Ronson Development SPV8 Sp. z o.o.	2021	100%	100%
24	Ronson Development SPV9 Sp. z o.o.	2021	100%	100%
25	Ronson Development SPV10 Sp. z o.o.	2021	100%	100%
26	Ronson Development SPV11 Sp. z o.o.	2021	100%	100%
27	LivinGO Holding sp. z o.o.(6)	2022	100%	100%
28	Ronson Development SPV14 Sp. z o.o. w organizacji(7)	2023	100%	-
29	Ronson Development SPV15 Sp. z o.o. w organizacji(7)	2023	100%	-
30	Ronson Development SPV16 Sp. z o.o. w organizacji(7)	2023	100%	-
b.	**held indirectly by the Company:**			
31	Ronson Development Partner 4 Sp. z o.o. – Panoramika Sp.k.(2)	2007	-	100%
32	Ronson Development Sp z o.o. - Estate Sp.k.	2007	100%	100%
33	Ronson Development Sp. z o.o. - Home Sp.k.(2)	2007	-	100%
34	Ronson Development Sp z o.o. - Horizon Sp.k.	2007	100%	100%
35	Ronson Development Partner 3 Sp. z o.o. - Sakura Sp.k.(2)	2007	-	100%
36	Ronson Development Partner 3 sp. z o.o. – Viva Jagodno sp. k.	2009	100%	100%
37	Ronson Development Sp. z o.o. - Apartments 2011 Sp.k.	2009	100%	100%
38	Ronson Development Sp. z o.o. - Idea Sp.k.(2)	2009	-	100%
39	Ronson Development Partner 2 Sp. z o.o. – Destiny 2011 Sp.k.(2)	2009	-	100%
40	Ronson Development Partner 2 Sp. z o.o. - Enterprise 2011 Sp.k.(2)	2009	-	100%
41	Ronson Development Partner 2 Sp. z o.o. - Retreat 2011 Sp.k.	2009	100%	100%
42	LivinGO Ursus sp. z o.o.(5)	2022	100%	100%
43	Ronson Development Partner 5 Sp. z o.o. - Vitalia Sp.k.	2009	100%	100%
44	Ronson Development Sp. z o.o. - 2011 Sp.k.(2)	2009	-	100%
45	Ronson Development Sp. z o.o. - Gemini 2 Sp.k.(2)	2009	-	100%
46	Ronson Development Sp. z o.o. - Verdis Sp.k.(2)	2009	-	100%
47	Ronson Development Sp. z o.o. - Naturalis Sp.k.	2011	100%	100%
48	Ronson Development Sp. z o.o. - Impressio Sp.k.(2)	2011	-	100%
49	Ronson Development Partner 3 Sp. z o.o.- Nowe Warzymice Sp. k	2011	100%	100%
50	Ronson Development Sp. z o.o. - Providence 2011 Sp.k.	2011	100%	100%
51	Ronson Development Partner 2 Sp. z o.o. - Capital 2011 Sp. k.(2)	2011	-	100%
52	Ronson Development Partner 5 Sp. z o.o. - Miasto Marina Sp.k.	2011	100%	100%
53	Ronson Development Partner 5 Sp. z o.o. - City 1 Sp.k.	2012	100%	100%
54	Ronson Development Partner 2 Sp. z o.o. - Miasto Moje Sp. k.	2012	100%	100%
55	Ronson Development sp. z o.o. – Ursus Centralny Sp. k.	2012	100%	100%
56	Ronson Development Sp. z o.o. - City 4 Sp.k.	2016	100%	100%
57	Ronson Development Partner 2 Sp. z o.o. – Grunwald Sp.k.	2016	100%	100%
58	Ronson Development Sp. z o.o. Grunwaldzka" Sp.k.	2016	100%	100%
59	Ronson Development Sp. z o.o. - Projekt 3 Sp.k.	2016	100%	100%
60	Ronson Development Sp. z o.o. - Projekt 4 Sp.k.	2017	100%	100%
61	Ronson Development Sp. z o.o. - Projekt 5 Sp.k.	2017	100%	100%
62	Ronson Development Sp. z o.o. - Projekt 6 Sp.k.	2017	100%	100%
63	Ronson Development Sp. z o.o. - Projekt 7 Sp.k.	2017	100%	100%
64	Ronson Development Sp. z o.o. - Projekt 8 Sp.k.	2017	100%	100%
65	Bolzanus Limited (Company with the registered office in Cyprus)	2013	100%	100%
66	Park Development Properties Sp. z o.o. - Town Sp.k.	2007	100%	100%
67	Tras 2016 Sp. z o.o.	2011	100%	100%
68	Park Development Properties Sp. z o.o.	2011	100%	100%
69	Wrocław 2016 Sp. z o.o.	2016	100%	100%
70	Darwen Sp. z o.o.(3)	2016	-	100%
71	Truro Sp. z o.o.(3)	2017	-	100%
72	Tregaron Sp. z o.o.	2017	100%	100%
73	Totton Sp. z o.o.(3)	2017	-	100%
74	Tring Sp. z o.o.	2017	100%	100%
75	Thame Sp. z o.o.	2017	100%	100%
76	Troon Sp. z o.o.	2017	100%	100%
77	Tywyn Sp. z o.o.	2018	100%	100%

Notes to the Consolidated Financial Statements

Note 1 - Background and business of the Company

	Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
			31 December 2023	31 December 2022
c.	**other entities (accounted for using the equity method):**			
86	Coralchief Sp. z o.o.	2018	50%	50%
87	Coralchief Sp. z o.o. - Projekt 1 sp. k.	2016	50%	50%
88	Ronson IS Sp. z o.o.	2009	50%	50%
89	Ronson IS Sp. z o.o. sp. k.	2012	50%	50%

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 merged with Ronson Development South Sp. z o.o. on 27 January 2023*
3) *Companies merged with Wroclaw 2016 Sp. z o.o. on 16 March 2023*
4) *99.66% of shares in the company are held by Ronson Development SE, the remaining 0.34% of shares are held by: Ronson Development sp. z o.o. (0.19%), Ronson Development Partner 2 sp. z o.o. (0.09%), Ronson Development Partner 3 sp. z o.o. (0.03%) and Ronson Development Partner 4 sp. z o.o. (0.03%) all of this companies are held 100% by Ronson Development SE.*
5) *The company's business name has been changed to LivinGO Ursus sp. z o.o. from Ronson Development SPV12 Sp. z o.o.*
6) *The company's business name has been changed to LivinGO Holding sp. z o.o. from Ronson Development SPV13 Sp. z o.o.*
7) *Established company in process of organization*

Note 2 - Basis of preparation of Financial Statements and measurement

(a) Basis of preparation and statement of compliance

These Consolidated Financial Statements have been prepared in accordance with IFRS Accounting Standards. 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 2023. Information about standards and interpretations were presented below.

The Consolidated Financial Statements were authorized by the Management Board of Ronson Development SE on 12 March 2024. 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 2023 in both English and Polish languages, while the Polish version is binding.

New and amended standards adopted by the Group

The following standards and amendments became effective as of 1 January 2023:

- ***IFRS 17 "Insurance Contracts" and amendments to IFRS 17***

IFRS 17 "Insurance Contracts" was issued by the International Accounting Standards Board on May 18, 2017, and the amendments to IFRS 17 were published on June 25, 2020.

IFRS 17 Insurance Contracts replaced the previously applicable IFRS 4, which allowed for various practices in the settlement of insurance contracts. The new standard fundamentally changes the accounting of all entities dealing with insurance contracts and investment contracts; however, the scope of the standard is not limited to insurance companies, and contracts concluded by entities other than insurance companies may also contain an element meeting the definition of an insurance contract (as defined in IFRS 17).

- ***Amendment to IFRS 17 "Insurance Contracts"***

The change concerns transitional requirements in connection with the first-time application of IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments". The purpose of the change is to ensure the usefulness of financial information for investors during the first application of the new standard by introducing certain simplifications in relation to the presentation of comparative data.
The change applies only to the application of the new IFRS 17 standard and does not affect any other requirements contained in IFRS 17.

- ***Amendments to IAS 1 "Presentation of Financial Statements" and the IFRS Council guidelines on disclosures regarding accounting policies in practice***

The amendment to IAS 1 introduces the requirement to disclose material information regarding accounting principles that are defined in the standard.

Notes to the Consolidated Financial Statements

Note 2 - Basis of preparation of Financial Statements and measurement

New and amended standards adopted by the Group

- ***Amendments to IAS 1 "Presentation of Financial Statements" and the IFRS Council guidelines on disclosures regarding accounting policies in practice***

The amendment clarifies that information about accounting policies is material if, in its absence, users of the financial statements would not be able to understand other material information contained in the financial statements. In addition, the Board's guidance on the application of the concept of materiality in practice has also been amended to provide guidance on the application of the concept of materiality to accounting disclosures.

- ***Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"***

In February 2021, the Board published an amendment to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" regarding the definition of accounting estimates. The amendment to IAS 8 clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates.

- ***Amendments to IAS 12 "Income Taxes"***

The amendments to the standard published in 2021 specify how to settle deferred tax on transactions such as leasing and decommissioning liabilities. Before the change to the standard, there was uncertainty as to whether the recognition of equal amounts of assets and liabilities for accounting purposes (e.g. initial recognition of a lease) without affecting current tax settlements necessitates the recognition of deferred tax balances or whether the so-called initial recognition exemption, which states that deferred tax balances are not recognized if the recognition of an asset or liability does not affect the accounting or tax result at the time of recognition. The amended IAS 12 regulates this issue by requiring the recognition of deferred tax in the above situation by introducing an additional provision that the exemption from initial recognition does not apply if the entity simultaneously recognizes an asset and an equivalent liability and each of them creates temporary differences.

- ***Amendments to IAS 12 "Income Taxes"***

In May 2023, the Council published further amendments to IAS 12 "Income Taxes" in response to the global Pillar Two minimum income tax regulations issued by the Organization for Economic Co-operation and Development (OECD) in connection with the international tax reform. The amendment to IAS 12 provides for a temporary exemption from the requirement to recognize deferred tax resulting from the adopted tax law, which implements the model principles of Pillar II. Companies may apply the guidelines of the amended IAS 12 immediately, but for annual periods beginning on or after January 1, 2023, specific disclosures are required.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 2023 reporting periods and have not been early adopted earlier by the Group. The Management Board do not expect that these standards have a material impact on the entity or the Group in the current or future reporting periods and on foreseeable future transactions, except for IAS 1 amendment where Group assessed that impact of the standard would cause reclassification of bank loans from short-term to long-term.

(b) Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, except for investment property and SAFE Agreement (financial liability) 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(r), Note 13, Note 25 and Note 28.

(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.

Notes to the Consolidated Financial Statements

Note 2 - Basis of preparation of Financial Statements and measurement

(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 5 – Sales Revenue

Note 13 – Investment property

Note 15 – Deferred tax asset recognition

Note 16 – Inventory and residential land bank

Note 25 – Investors agreement (“SAFE Agreement”)

Note 27 – Advances received

Note 30 – Commitments and contingencies

The Group conducts residential units projects and developing activities in dedicated operating subsidiaries. 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 recognized at the moment when control over the real estate is transferred to the customer of mentioned 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 5 to the Consolidated Financial Statements.

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 (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 properties, 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 or comparison approach (pairwise comparison method). The determination of the fair value of the investment property using discounted cash flow approach 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. Comparison approach involves an analysis of similar properties which are being sold on the market and for which the characteristics that determine the cost and the terms of the transactions are known. More information is presented in the Note 13 to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Note 2 - Basis of preparation of Financial Statements and measurement

(d) Use of estimates and judgments

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 is 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.

Valuation of financial liability at fair value through profit or loss

The fair value of the financial liability at fair value through profit or loss is determined by independent valuator based on the Monte Carlo simulation model and the Black & Scholes model. The determination of the fair value of the liability requires the use of estimates such as share price, exercise price, loan maturity, risk free interest, credit risk, expected volatility and expected dividend yield. More information is presented in the Note 25 to the Consolidated Financial Statements.

Significant financing component within customer advances

The Group enters into sale agreements with clients, which require advance payments in accordance with the agreed schedule. Based on the analysis of the agreements, it was found that they do not contain a significant element of financing due to the fact that advance payments from clients are intended to secure the performance of the agreement (i.e. they guarantee that the customer will not withdraw from the purchase and from the customer's point of view constitute security that the given premises will be sold to him at the agreed price), so they are made for reasons other than providing financing to the developer (IFRS 15 par. 62c). In addition, if the flat finds a buyer quite late, i.e. shortly before signing the acceptance report, the difference between the cash price paid once by such a customer and the price paid by the customer in the event of signing the contract significantly earlier does not result from interest in this period, but from changes in market prices housing.

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Policy on default

For purposes of measuring probability of default, the Group defines default as a situation when the debtor meets the unlikeliness-to-pay criteria listed below:

- the debtor is deceased;
- the debtor is insolvent;
- it is becoming likely that the debtor will enter bankruptcy.

Notes to the Consolidated Financial Statements

Note 2 - Basis of preparation of Financial Statements and measurement

(e) Basis of consolidation

These Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. 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.

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.

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.

Notes to the Consolidated Financial Statements

Note 3 - Material accounting policies

(a) Foreign currency

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 (unit) 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 protocol of technical acceptance and transfer of 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, are presented as deferred income, in the Statement of Financial Position 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.

(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 recognized in profit or loss when the asset is derecognized, 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.

Notes to the Consolidated Financial Statements

Note 3 - Material accounting policies

(c) Financial instruments

Financial assets

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 recognized 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).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes 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

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at Amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized 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 amortization is included as finance costs in the statement of profit or loss.

Financial liability at fair value through profit or loss are subsequently measured at fair value. A gain or loss on a financial liability that is designated as at fair value through profit or loss is presented as follows:

- the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income;
- the remaining amount of change in the fair value of the liability is presented in profit or loss in line: “Gain/loss in fair value of financial instrument at fair value through profit and loss”,

Unless the treatment of the effects of changes in the liability’s credit risk described in (a) would create or enlarge an accounting mismatch in profit or loss, then all changes in fair value (including the effects of changes in the credit risk of the liability) are presented in profit and 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	Loans granted	Amortized cost method
	Cash and cash equivalent	Amortized cost method
	Trade and other receivables	Amortized cost method
	Other current financial assets	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
	Financial liability measured at amortised cost	Amortized cost method
Liabilities measured at fair value through profit and loss	Financial liability measured at FVPL	Fair value

Notes to the Consolidated Financial Statements

Note 3 - Material accounting policies

(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 labour, 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.

(ii) Depreciation and amortization

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".

Notes to the Consolidated Financial Statements

Note 3 - Material accounting policies

(e) Leases

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

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.

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.

(f) Investment properties, investment properties under construction

Investment properties and investment properties under construction are measured initially at cost, including transaction costs. After initial recognition, as at each reporting date, investment property under construction that meets the premises for their valuation, and investment property are measured at fair value. The fair value measurement is updated at least annually. Profits or losses resulting from changes in the fair value of investment properties are recognized in the Statement of Comprehensive Income in the period in which they arise. The result on the valuation of investment properties is presented in the profit / loss on changes in the fair value of investment property line.

Notes to the Consolidated Financial Statements

Note 3 - Material accounting policies

(f) Investment properties, investment properties under construction

For investment properties under construction, the premises for valuation are met in the case of projects where a significant part of the risks related to the construction process has been eliminated and it is possible to measure reliably at fair value. In other cases, when it is not possible to reliably determine the fair value, the value of real estate under construction is valued according to the cost method.

The Group has specified the conditions under which it begins the process of analyzing whether significant risks relating to investment properties under construction have been eliminated. There are specific conditions analyzed by the Group if the risks are minimalized which are basis for the fair value valuation, like for example, but not limited to, obtaining building permit, contracting construction work.

The presented conditions constitute the boundary criteria of the analysis. Each investment property under construction is analyzed individually in terms of the possibility of obtaining a reliable valuation to fair value, taking into account, in addition to the conditions described above, also the general economic and market situation, the availability of data for similar properties and expectations regarding the volatility of factors underlying the valuation and the method of financing investment project.

Land and buildings measured at fair value are updated in such a way as to reflect the market conditions prevailing at the year-end reporting period. The fair value of investment property is the price that would have been received for the sale of an asset or paid for the transfer of a liability in a transaction between market participants carried out on normal conditions at the valuation date. Fair values are subject to verification by external valuations prepared by experts in cooperation with the Management Board. To determine the fair value of the property, independent appraisers use valuation methods most appropriate for the valuation of the property depending on the individual asset.

(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 is presented as short-term assets under inventory, in other cases the project is 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.

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

Note 3 - Material accounting policies

(g) Residential land bank and Inventories

(i) Inventory

(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 total 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.

(iv) Share based payment

The Group has introduced equity-settled share-based compensation plan for CEO of the Group, under which the entity receives services from CEO for equity instruments (options) of the shareholder of the Group. The fair value of the employee services received in exchange for the grant of options is recognised as an administrative expense and as a credit to Share-based payment reserve. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares determined at the grant date. The proceeds received on exercise of the options net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium. Cancelled awards are deemed to have vested upon cancellation. Any unamortised expense associated with such awards is charged to profit or loss immediately.

(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.

Notes to the Consolidated Financial Statements

Note 3 - Material accounting policies

(j) Impairment of non-financial assets

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.

(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 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.

Notes to the Consolidated Financial Statements

Note 3 - Material accounting policies

(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 amortized 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.

(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 is 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. Dividends declared by the joint venture decrease the carrying amount of the investment in the joint venture. 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 or annual base if there were no significant changes on the market environment.

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.

Notes to the Consolidated Financial Statements

Note 3 - Material accounting policies

(r) Fair Value

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.

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.

Note 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 development (apartments, of houses). Moreover, for 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 also requires the Company to present separately joint venture within Warsaw segment. There have been no changes in the basis of segmentation or in the basis of measurement of segment profit or loss from the last Annual Consolidated Financial Statements. There is no aggregation of the revenues 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 fixed assets and income tax assets. Unallocated liabilities comprise mainly income tax liabilities, deferred tax liabilities, bond loans and financial liability measured at amortised cost (measured at FVPL as of 31 December 2022).

Notes to the Consolidated Financial Statements

Note 4 - Segment reporting

The unallocated result (loss) comprises mainly head office expenses. IFRS adjustments represent the elimination of the Joint venture segment for reconciliation of the profit (loss), assets and liabilities to the consolidated numbers as well as the effect of measurement of liability at fair value. Joint ventures are accounted using the equity method.

The Group evaluates its performance on a segment basis mainly based on sale revenues, own cost of sales from residential projects and rental activity, allocated 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 segments.

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 2023*

	Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Segment assets	636 135	131 709	1 698	87 602	125 184	9 679	38 041	-	108 338	-	-	(943)	1 137 442
Unallocated assets	-	-	-	-	-	-	-	-	-	-	66 157	-	66 157
Total assets	**636 135**	**131 709**	**1 698**	**87 602**	**125 184**	**9 679**	**38 041**	**-**	**108 338**	**-**	**66 157**	**(943)**	**1 203 599**
Segment liabilities	264 326	27 490	717	24 267	33 574	2	3 306	-	22 174	-	-	(717)	375 139
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	294 788	-	294 788
Total liabilities	**264 326**	**27 490**	**717**	**24 267**	**33 574**	**2**	**3 306**	**-**	**22 174**	**-**	**294 788**	**(717)**	**669 927**

In thousands of Polish Zlotys (PLN) — *As at 31 December 2022*

	Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Segment assets	530 898	100 278	5 570	70 605	122 968	8 953	58 431	-	86 801	-	-	(3 123)	981 382
Unallocated assets	-	-	-	-	-	-	-	-	-	-	20 721	-	20 721
Total assets	**530 898**	**100 278**	**5 570**	**70 605**	**122 968**	**8 953**	**58 431**	**-**	**86 801**	**-**	**20 721**	**(3 123)**	**1 002 103**
Segment liabilities	160 174	5 216	955	24 376	24 320	-	17 278	-	17 050	-	-	(955)	248 414
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	302 293	-	302 293
Total liabilities	**160 174**	**5 216**	**955**	**24 376**	**24 320**	**-**	**17 278**	**-**	**17 050**	**-**	**302 293**	**(955)**	**550 707**

In thousands of Polish Zlotys (PLN) — *As at 31 December 2023*

	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)	260 634	2 467	1 473	923	28 793	-	68 259	-	33 954	-	462	(1 473)	395 491
Segment result	89 240	(257)	(1 664)	8 807	4 757	-	25 622	-	8 893	-		1 664	137 064
Unallocated result	-	-		-	-	-	-	-	-	-	(30 153)	-	(30 153)
Depreciation	(207)	-	-	-	-	-	-	-	(5)	-	(495)		(707)
Result from operating activities	**89 032**	**(257)**	**(1 664)**	**8 807**	**4 757**	**-**	**25 622**	**-**	**8 889**	**-**	**(30 648)**	**1 664**	**106 204**
Net finance income/ (expenses)	1 344	17	52	(37)	(32)	(4)	536	-	163	-	(5 171)	(52)	(3 185)
Gain/loss in fair value of financial instrument at fair value through profit and loss											6 422		6 422
Profit/(loss) before tax	**90 376**	**(240)**	**(1 612)**	**8 770**	**4 726**	**(4)**	**26 158**	**-**	**9 051**	**-**	**(35 819)**	**1 612**	**103 019**
Income tax expenses													(22 314)
Profit for the year													**80 705**

(1) Revenues are recognized 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

Note 4 - Segment reporting

In thousands of Polish Zlotys (PLN) *As at 31 December 2022*

	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)	217 797	-	16 896	841	2 325	-	23 139	-	56 157	-	-	(16 896)	300 259
Segment result	56 782	720	3 285	881	(4 892)	1 376	4 522	-	14 372	-	-	(3 285)	73 760
Unallocated result	-	-	-	-	-	-	-	-	-	-	(25 308)	-	(25 308)
Result from operating activities	**56 782**	**720**	**3 285**	**881**	**(4 892)**	**1 376**	**4 522**	**-**	**14 372**	**-**	**(25 308)**	**(3 285)**	**48 452**
Net finance income/ (expenses)	244	(88)	75	177	(52)	(2)	84	-	115	-	(1 252)	75	(773)
Profit/(loss) before tax	**57 024**	**632**	**3 360**	**1 059**	**(4 944)**	**1 374**	**4 607**	**-**	**14 486**	**-**	**(26 557)**	**(3 361)**	**47 679**
Income tax expenses													(16 328)
Profit for the year													**31 351**

(1) Revenues are recognized 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

Note 5 - 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. It occurs only after construction process is finalized meaning occupancy permit received and the full amount is paid by client. 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 27.

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Sales revenue		
Revenue from residential projects	395 492	300 259
Total sales revenue	**395 492**	**300 259**
Cost of sales		
Cost of sales residential projects	(256 103)	(220 347)
Inventory reversals/(write down) to the net realisable value	-	(485)
Total cost of sales	**(256 103)**	**(220 832)**
Gross profit on sales	**139 389**	**79 427**
Gross profit on sales, in % to revenue	**35%**	**26%**

Notes to the Consolidated Financial Statements

Note 5 - Sales revenue and cost of sales

The table below presents a summary of revenues from residential investments and cost of sales by project:

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**Location**	**Sale revenues 2023**	**Cost of Sale 2023**	**Gross profit 2023**
Ursus Centralny IIb	Warsaw	111 323	70 774	40 549
Miasto Moje VI	Warsaw	100 208	64 440	35 768
Viva Jagodno IIb	Wrocław	61 385	36 930	24 455
Ursus Centralny IIc	Warsaw	37 429	20 493	16 936
Nowe Warzymice IV	Szczecin	28 844	20 360	8 484
Grunwaldzka	Poznań	28 793	23 073	5 720
Miasto Moje V	Warsaw	8 156	6 321	1 835
Viva Jagodno IIa	Wrocław	6 251	4 540	1 711
Nowe Warzymice III	Szczecin	2 724	1 881	843
Nova Królikarnia 1d	Warsaw	2 467	1 459	1 008
Nowe Warzymice I	Szczecin	1 311	1 050	261
Miasto Moje IV	Warsaw	1 214	852	362
Other		5 387	3 930	1 457
Total revenue		**395 492**	**256 103**	**139 389**

The table below presents a summary of revenues from residential investments and cost of sales by project:

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**Location**	**Sale revenues 2022**	**Cost of Sale 2022**	**Gross profit 2022**
Ursus Centralny IIa	Warsaw	81 620	61 861	19 759
Miasto Moje V	Warsaw	59 705	40 385	19 320
Ursus Centralny Ib	Warsaw	47 356	34 611	12 745
Nowe Warzymice III	Szczecin	23 632	15 485	8 147
Viva Jagodno IIa	Wrocław	22 958	17 697	5 261
Nowe Warzymice II	Szczecin	21 530	15 685	5 845
Miasto Moje IV	Warsaw	20 046	14 997	5 049
Panaromika VI	Szczecin	7 464	6 943	521
Nova Królikarnia 3a	Warsaw	3 325	2 854	471
Nowe Warzymice I	Szczecin	2 372	1 847	525
Miasto Moje I-III	Warsaw	1 438	1 051	387
Nova Królikarnia 3c	Warsaw	1 401	1 166	235
Panoramika V	Szczecin	1 159	1 022	137
Ursus Centralny Ia	Warsaw	686	565	121
Grunwald 2	Poznań	624	464	160
Viva Jagodno I	Wrocław	95	73	22
Vitalia III	Wrocław	34	33	1
Other		4 814	3 608	1 206
Total cost of sales		**300 259**	**220 347**	**79 912**

Notes to the Consolidated Financial Statements

Note 6 - Selling and marketing expenses

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Advertising	5 424	4 388
Depreciation	139	88
Other	101	89
Total selling and marketing expenses	**5 664**	**4 565**

Note 7 - Administrative expenses

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Personnel expenses	19 756	17 287
- Wages	*17 275*	*15 089*
- Social security and other employee benefits	*2 481*	*2 198*
External services	3 641	3 582
Consulting fees to main shareholder	922	900
Materials and energy	493	514
Depreciation	707	786
Taxes and charges	1 852	1 462
Other	657	974
Total administrative expenses	**28 029**	**25 505**

Average number of employees during the year	**64**	**73**

Note 8 - Other expenses

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Maintenance expense of unsold units	1 119	893
Cost of repairs and defects	-	57
Expense for contractual penalties and compensation	7	2 316
Write-down of trade receivables and loan to third party	3 773	-
Charity activities	94	172
Cost of research and due diligence of new projects	486	378
IPO costs write-off	1 417	-
Costs related to obtaining financing (brokers fee)	-	802
Rental and maintenance costs	307	-
Other operating expenses (road construction, network construction)	246	-
Other expenses	867	582
Total other expenses	**8 317**	**5 200**

Note 9 - Other income

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Revenues from contractual penalties and compensation	281	374
Rental income from inventory	102	240
Net profit on sale of property and equipment	53	-
Reversal of accruals	154	611
Sharing of costs of road construction, network reconstruction according to agreements	279	842
Write-off of liabilities/Reversal of allowance for doubtful accounts	8	464
Redesign services (commission)	113	-
Other income	291	182
Total other income	**1 281**	**2 714**

Notes to the Consolidated Financial Statements

Note 10 - Finance income and costs

For the year ended 31 December 2023

In thousands of Polish Zlotys (PLN)	Total amount	Amount capitalized	Amount capitalized (under IFRS 16)	Recognized in the Statement of Comprehensive Income
Interest income on bank deposits	3 807	-	-	3 807
Foreign exchange gain	126	-	-	126
Other finance income	329	-	-	329
Finance income	**4 261**	**-**	**-**	**4 261**
Interest expense on financial liabilities	(25 495)	14 745	-	(10 750)
Commissions and fees	(3 144)	1 795	-	(1 349)
Other finance costs	(1 769)	-	-	(1 769)
Finance costs	**(30 408)**	**16 539**	**-**	**(13 868)**
Finance costs - on lease liabilities	**(3 115)**	**-**	**3 115**	**-**
Gain/loss on financial instrument measured at fair value through profit and loss	**6 422**	**-**	**-**	**6 422**
Net finance income	**(22 839)**	**16 539**	**3 115**	**(3 185)**

For the year ended 31 December 2022

In thousands of Polish Zlotys (PLN)	Total amount	Amount capitalized	Amount capitalized (under IFRS 16)	Recognized in the Statement of Comprehensive Income
Interest income on bank deposits	1 710	-	-	1 710
Foreign exchange gain	1 591	-	-	1 591
Other finance income	219	-	-	219
Finance income	**3 520**	**-**	**-**	**3 520**
Interest expense on financial liabilities	(18 854)	12 118	-	(6 736)
Commissions and fees	(4 766)	3 213	-	(1 553)
Other finance costs	(125)	-	-	(125)
Finance costs	**(23 745)**	**15 331**	**-**	**(8 414)**
Finance costs - on lease liabilities	**(1 049)**	**-**	**1 049**	**-**
Gain/loss on financial instrument measured at fair value through profit and loss	4 121	-	-	4 121
Net finance income	**(17 153)**	**15 331**	**1 049**	**(733)**

Notes to the Consolidated Financial Statements

Note 11 - Income tax charges

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Current tax expense		
Current period	7 618	7 203
Taxes in respect of previous periods	(307)	(535)
Total current tax expense	**7 311**	**6 669**
Deferred tax expense		
Origination and reversal of temporary differences	14 214	11 078
Tax losses utilized/(recognized)	789	(1 419)
Total deferred tax expense	**15 003**	**9 659**
Total income tax expense	**22 314**	**16 328**

Reconciliation of effective tax rate

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Profit for the year	80 705	31 351
Total income tax expense	22 314	16 328
Profit before income tax	**103 019**	**47 679**
Expected income tax using the Polish tax rate (19%)	**19 574**	**9 059**
Tax effect on:		
Taxes in respect of previous periods	82	659
Non-deductible expenses, net	648	3 336
Deferred tax assets write-off due to recoverability	478	-
Share based payment	298	-
Tax charge in connection with the organizational restructuring of the Group (write off)	-	1 322
Impact of JV result	142	(243)
Deferred tax asset write-off on tax losses	838	2 500
Deferred tax asset correction to 2022	275	-
Other differences	(22)	(305)
Tax expense for the period	**22 314**	**16 328**
Effective tax rate	**21,66%**	**34,25%**

The effective income tax rate for the year ended 31 December 2023 amounted to 21,66% (34,25% in comparative period). Higher effective tax rate was due to higher non-deductable costs for tax purposes and write off deferred tax assets on tax losses and on old entities due to recoverability concerns.

Notes to the Consolidated Financial Statements

Note 12 - Property and equipment

For the year ended 31 December 2023 *In thousands of Polish Zlotys (PLN)*	**Vehicles**	**Equipment**	**Building**	**Total**
Cost or deemed cost				
Balance at 1 January	1 431	3 188	9 161	13 780
Additions	381	316	-	698
Sales and disposals	(208)	-	-	(208)
Closing balance	**1 604**	**3 504**	**9 161**	**14 270**
Depreciation and impairment losses				
Balance at 1 January	880	2 776	2 570	6 225
Depreciation for the period	219	113	261	593
Sales and disposals	(54)	-	-	(54)
Closing balance	**1 045**	**2 889**	**2 831**	**6 764**
Carrying amounts				
At 1 January	552	412	6 591	7 555
Closing balance	**559**	**616**	**6 330**	**7 506**

For the year ended 31 December 2022 *In thousands of Polish Zlotys (PLN)*	**Vehicles**	**Equipment**	**Building**	**Total**
Cost or deemed cost				
Balance at 1 January	1 277	3 444	9 161	13 882
Right of use of assets (cars)	154	422	-	577
Sales and disposals	-	(679)	-	(679)
Closing balance	**1 431**	**3 188**	**9 161**	**13 780**
Depreciation and impairment losses				
Balance at 1 January	631	3 390	2 303	6 324
Depreciation for the period	249	65	267	580
Sales and disposals	-	(679)	-	(679)
Closing balance	**880**	**2 776**	**2 570**	**6 225**
Carrying amounts				
At 1 January	646	54	6 858	7 558
Closing balance	**552**	**412**	**6 591**	**7 556**

As at 31 December 2023 and 31 December 2022 none of the Property and equipment was secured for bonds issued nor secured bank loans.

Impairment loss

In the years ended 31 December 2023 and 31 December 2022, the Group did not recognize any impairment loss with respect to property and equipment.

Notes to the Consolidated Financial Statements

Note 13 - Investment property

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Balance at 1 January	63 139	28 595
Perpetual usufruct (IFRS16) movements	71	128
Purchase of investment property land	11 000	34 113
Investment expenditure	717	-
Change in fair value during the year	8 293	303
Balance as at 31 December, including:	**83 220**	**63 139**
Cost	***69 412***	***57 695***
Perpetual usufruct (IFRS16)	***744***	***673***
Fair value adjustments	***13 064***	***4 771***

As at 31 December 2023, 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.

During the period ended 31 December 2023 the Company purchased a land dedicated for PRS business located in Warsaw, Bielany for the total amount of PLN 11.0 million.

Investment property at Gwiaździsta street (Office building Horizon)

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 m^2 located on this plot that is leased to third parties under lease agreements with a definite as well as an indefinite term subject to a three-month notice period for termination (“Bielany IP”).

Investment property – land

The investment property - land comprise of several plots of land located in Warsaw:

1) land located at Marynin street in Warsaw. The potential PUM is 4,183m2 and the potential number of units for rent amounts 101. Land designated for PRS activity.
2) Land located at Wolska street in Warsaw. The land designated for PRS activity. The potential number of units for sale 292 and the potential PUM is 13,947 m2. Land designated for PRS activity.
3) land located at Poleczki street in Warsaw. Approximate number of units for rent 85 and the potential PUM is 3,500 m2. Land designated for PRS activity.
4) Land located at Galopu street in Warsaw. The potential PUM is 3,919 m2 and the potential number of units 100. Land designated for PRS activity.
5) Land located at Biograficzna street in Warsaw. The potential PUM is 4,851 m2 and the potential number of units 242. Land was purchased in November 2023 for PLN 11.0 million. Land designated for PRS activity.

Measurement of the fair value

At the end of each reporting year-end, the Management Board conducts an assessment of the fair value of each property, taking into account the most up-to-date appraisals. Profits or losses resulting from changes in the fair value of investment properties are recognized in the Statement of Comprehensive Income in the period in which they arise. The result on the valuation of investment properties is presented in the increase/ decrease in fair value of investment property.

The Management Board determines the value of the property within the range of reasonable estimates of the fair value. The best evidence to determine the fair value is the current prices of similar properties in an active market.

In the absence of such information, management analyzes information from various sources, including:

- current prices from an active market for other types of real estate or recent prices of similar properties from a less active market, adjusted to take account of these differences (comparison method),
- discounted cash flow forecasts based on reliable estimates of future cash flows (income approach),
- capitalized income forecasts based on net market income and capitalization rate estimates derived from market data analysis.

Notes to the Consolidated Financial Statements

Note 13 - Investment property

Measurement of the fair value

Fair value of the office building is determined in level 3 of the Fair Value Hierarchy and fair value of the investment land is determined in level 2 of the Fair Value Hierarchy, in this method, the key input data are prices per square meter of comparable (in terms of location and size) plots in the same region obtained in sales transactions in the current year (Level 2 of the fair value hierarchy). For the comparison approach the external appraiser used the transactions from the period 2022-2023 to perform the valuation.

The below table presents the impact of the valuation on the profit and loss for the year ended 31 December 2023.

Investment	Cost as at 31 December 2023	Fair value as at 31 December 2023	Impact of fair value	Fair value as at 31 December 2022	Impact of current year valuation	Additions to investment property (capex)	Fair value as at 31 December 2023
Galopu	8 879	13 682	4 803	12 121	1 523	38	13 682
Poleczki	12 109	10 795	(1 314)	8 903	1 860	32	10 795
Auchan/Marynin	9 321	11 707	2 386	9 325	2 318	65	11 707
Wolska	24 307	24 175	(132)	23 836	(132)	471	24 175
Biograficzna	11 113	13 779	2 666	-	2 666	113	13 779
Horizon/Gwiaździsta	6 542	8 301	1 759	8 242	59	-	8 301
Total	**72 271**	**82 439**	**10 168**	**62 427**	**8 293**	**718**	**82 439**

**Financial information presented in the table above does not include impact of IFRS 16 on Horizon building amounted to PLN 781k in 2023 and 712k in 2022*

Income approach

Investment property at Gwiaździsta street (Office building) is valued at fair value determined as at 31 December 2023 by an independent appraiser, having an appropriate recognized professional qualification using the method of discounted cash flows. As at 31 December 2023, the fair value of Investment property was determined by an independent appraiser as well. Below table presents assumptions used for the valuation.

Location	Name of project	Segment	Valuation technique	Total area m^2	Annual rental revenue *(PLN thousands)**	Discount rate	Capitalization rate	Fair value *(PLN thousands)*
Warsaw	Horizon	Office building	income approach	1 423	762 838	8.50%	11.8%	8 301
Total								**8 301**

**Rental value consists of monthly rate of PLN 50,63 per m2 (based on the valuation report) multiplied by total area.*

During the year ended 31 December 2023 and 2022 the rental income from investment property amounted to PLN 763 thousand and PLN 618 thousand, respectively. The investment property is currently occupied. In 2023, direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period amounted to PLN 396 thousand and direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period amounted to PLN 119 thousand.

If the yields used for the appraisals of investment property on 31 December 2023, had been 100 basis points higher, the fair value of the investments would have been 6.5% lower. In this situation, the Group's equity would have been PLN 590 thousand lower.

Lease agreements

Receivables for minimum lease payments for the rental of investment property are as follows:

	2023 *(PLN thousands)*	2022 *(PLN thousands)*
Less than 1 year	607	592
Between 1 and 2 years	492	471
Between 2 and 3 years	376	452
Between 3 and 5 years	646	370
Over 5 years	323	287
Total	**2 444**	**2 170**

Notes to the Consolidated Financial Statements

Note 13 - Investment property

Input data and the inter-relationship between them and fair value

There are inter-relationships between unobservable inputs. Expected rental fees may impact the net operating income and fair value as well as different time period as well as wages applied to the comparative prices may result in different average price.

The table below summarizes the quantitative information on significant unobservable inputs used in Level 3 of the fair value hierarchy:

Description	Fair value at		Unobservable Inputs*	Range of inputs (probability-weighted average)		Relationship of unobservable inputs to fair value
	31 December 2023 [PLN thousands]	31 December 2022 [PLN thousands]		2023	2022	
Rented building offices (Horizon)	8 301	8 242	Discount rate	8.5%	7,5%	The higher the discount rate, the lower the fair value
			Capitalization rate	11.8%	13,3%	The higher the capitalization rate and the expected vacancy rate, the lower the fair value
			Expected vacancy rate	12%	10%	

** There were no significant inter-relationships between unobservable inputs that materially affect fair values*

Comparison approach (pairwise comparison method)

This approach is used to value investment property for which data on comparable property sale transactions on a given market is available as well as land and residential property. Valuation of these types of property involves an analysis of comparable properties which are being sold on the market and for which the characteristics that determine the purchase price and the terms of the transactions are known. Since very few comparable transactions are executed on the market and the prices of such transactions differ widely, the valuation was performed using the pairwise comparison method. The Group uses this approach mainly to value undeveloped properties or developed properties with unspecified use or zoning on which no capital expenditure has been made.

The table below represents the fair value of the investment property land value based on the comparison approach as at 31 December 2023:

Location	Name of project	Segment	Valuation technique	Total area m^2	Avarage price for m2 *(PLN thousands)**	Fair value of land *(PLN thousands)***
Warsaw	Poleczki	Land	Comparison approach	1 820	5,4	9 886
Warsaw	Galopu	Land	Comparison approach	3 718	3,3	12 303
Warsaw	Marynin	Land	Comparison approach	5 447	2,1	11 386
Warsaw	Wolska	Land	Comparison approach	3 175	7,4	23 456
Warsaw	Biograficzna	Land	Comparison approach	6 042	1,8	13 666
Total						**70 697**

**Average price per 1m2 of usable area of land*
***Amounts are referring to valuated land only, without occurred capex*

Notes to the Consolidated Financial Statements

Note 14 - Investments in joint ventures

As at 31 December		
In thousands of Polish Zlotys (PLN)	**2023**	**2022**
Loans granted	145	133
Share in net equity value of joint ventures	532	2 331
The Company's carrying amount of the investment	**677**	**2 464**
Presented as Loans granted to joint ventures (current assets)	(145)	(133)
Investment in joint ventures	**532**	**2 331**

Share of profit/(loss) from joint ventures comprise the Group's shares in four entities where the Group is holding 50% shares and voting rights in each of those entities: Ronson IS Sp. z o.o. and Ronson IS Sp. z o.o. Sp.k. which are running the first two stages of the City Link project, as well as Coralchief Sp. z o.o. and Coralchief Sp. z o.o. – Projekt 1 Sp.k. which are running the Wilanów Tulip project. Both projects are residential sector which is the same as the Group.

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

As at 31 December		
In thousands of Polish Zlotys (PLN)	**2023**	**2022**
Opening balance	**2 331**	**3 846**
Net result of joint venture during the period	(755)	1 278
Offsetting net results of the joint venture with intercompany interest during the period	6	33
Share of profit of joint ventures	**(749)**	**1 311**
Dividend paid	**(1 043)**	**(2 792)**
Closing balance before offsets	**538**	**2 364**
Cancelling the offset of intercompany interest accrued during the period	(6)	(33)
Total closing balance of carrying amount of investment in joint venture	**532**	**2 331**

Share of profit/(loss) from joint ventures

Summarized financial information of the joint ventures is presented below:

As at 31 December	**2023**	**2022**
In thousands of Polish Zlotys (PLN)		
Current Assets		
Inventory	185	1 171
Cash and cash equivalents	1 566	4 372
Other current financial assets	61	27
Current Liabilities		
Loans from shareholders	(145)	(133)
Advances received	(29)	(96)
Other liabilities	(573)	(679)
Equity	**1 065**	**4 663**
Company share 50%	**532**	**2 331**

Notes to the Consolidated Financial Statements

Note 14 - Investments in joint ventures

The summarized Statement of Comprehensive Income of the joint ventures in aggregate is as follows:

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Revenue	1 473	16 896
Cost of sales	(3 104)	(13 081)
Gross profit	**(1 631)**	**3 815**
Administrative expenses	(20)	(310)
Selling and marketing expenses	(15)	(184)
Other income/(cost)	(140)	(185)
Finance income	92	152
Finance costs	(35)	(75)
Profit before taxation	**(1 749)**	**3 213**
Income tax expense	250	(657)
Profit for the year (continuing operations)	**(1 499)**	**2 556**
Total comprehensive income for the year (continuing operations)	**(1 499)**	**2 556**
The Company's share of profit for the year	**(749)**	**1 278**

Loans granted to the joint ventures

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

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Opening balance	**133**	**319**
Loans granted	-	-
Loans repaid	-	(195)
Accrued interest	12	12
Interest paid	-	(4)
Total closing balance	**145**	**133**

As at 31 December 2023 loans granted to joint ventures were presented as short-term assets. The loans granted to joint venture bore fixed interests at the level of 5%.

Notes to the Consolidated Financial Statements

Note 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:

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2023	Recognized in the Statement of Comprehensive Income	Closing balance 31 December 2023
Deferred tax assets			
Tax loss carry forward	5 704	(789)	4 915
Difference between tax and accounting basis of inventory	33 963	2 778	36 741
Accrued interest	1 100	194	1 294
Accrued expense	1 067	50	1 117
Write-down on work in progress	2 635	-	2 635
Fair value loss on investment property	871	(448)	423
Other	750	47	797
Total deferred tax assets	**46 090**	**1 832**	**47 922**
Deferred tax liabilities			
Difference between tax and accounting revenue recognition	48 641	15 262	63 903
Difference between tax base and carrying value of capitalized finance costs on inventory	9 129	682	9 811
Accrued interest	567	-	567
Fair value gain on investment property	1 611	1 143	2 754
Fair value gain on valuation of "SAFE" Agreement	783	(352)	431
Other	338	100	438
Total deferred tax liabilities	**61 068**	**16 835**	**77 904**
Total deferred tax benefit (see Note 11)		**15 003**	
Deferred tax assets	46 090		47 922
Deferred tax liabilities	61 068		77 904
Offset of deferred tax assets and liabilities for individual companies	(37 260)		(41 554)
Deferred tax assets reported in the Consolidated Statement of Financial Position	**8 830**		**6 369**
Deferred tax liabilities reported in the Consolidated Statement of Financial Position	**23 809**		**36 350**

Notes to the Consolidated Financial Statements

Note 15 - Deferred tax assets and liabilities

In thousands of Polish Zlotys (PLN)	Opening balance 1 January 2022	Recognized in the Statement of Comprehensive Income	Closing balance 31 December 2022
Deferred tax assets			
Tax loss carry forward	4 285	1 419	5 704
Difference between tax and accounting basis of inventory	20 420	13 543	33 963
Accrued interest	1 885	(785)	1 100
Accrued expense	760	307	1 067
Write-down on work in progress	2 610	25	2 635
Fair value loss on investment property	-	871	871
Other	1 953	(1 203)	750
Total deferred tax assets	**31 913**	**14 177**	**46 090**
Deferred tax liabilities			
Difference between tax and accounting revenue recognition	27 553	21 088	48 641
Difference between tax base and carrying value of capitalized finance costs on inventory	7 608	1 521	9 129
Accrued interest	635	(68)	567
Fair value gain on investment property	975	636	1 611
Fair value gain on valuation of “SAFE” Agreement	-	783	783
Other	461	(123)	338
Total deferred tax liabilities	**37 232**	**23 836**	**61 068**
Total deferred tax benefit (see Note 11)		**9 659**	
Deferred tax assets	31 913		46 090
Deferred tax liabilities	37 230		61 068
Offset of deferred tax assets and liabilities for individual companies	(23 718)		(37 260)
Deferred tax assets reported in the Consolidated Statement of Financial Position	**8 195**		**8 830**
Deferred tax liabilities reported in the Consolidated Statement of Financial Position	**13 512**		**23 809**

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 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 252,223 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. Since 2019 there is allowance of one time up to PLN 5.0 million tax loss utilization in a year and the surplus from this amount is utilized according to the 50% of the tax loss in one year as described above.

Notes to the Consolidated Financial Statements

Note 15 - Deferred tax assets and liabilities

Tax losses carry forward where deferred tax has or has not been recognized

As at 31 December	**2023**			**2022**		
In thousands of Polish Zlotys (PLN)	**Recognized tax losses**	**Unrecognized tax losses**	**Total tax losses**	**Recognized tax losses**	**Unrecognized tax losses**	**Total tax losses**
Tax loss 2018 carried forward	-	52	52	39	2 881	2 920
Tax loss 2019 carried forward	-	782	782	190	643	833
Tax loss 2020 carried forward	18	2 422	2 440	4 203	198	4 401
Tax loss 2021 carried forward	6 586	230	6 816	9 474	172	9 645
Tax loss 2022 carried forward	7 183	4 049	11 232	16 115	27	16 142
Tax loss 2023 carried forward	12 081	798	12 879	-	-	-
Total tax losses carried forward	**25 868**	**8 333**	**34 201**	**30 021**	**3 921**	**33 942**

The deferred tax assets on tax losses carried forward expire in the following years as at 31 December 2023:

	2023		**2022**	
In thousands of Polish Zlotys (PLN)	**Recognized tax losses**	**Unrecognized tax losses**	**Recognized tax losses**	**Unrecognized tax losses**
2023	-	10	7	547
2024	-	148	36	122
2025	3	460	799	38
2026	1 251	44	1 800	33
2027	1 365	769	3 062	5
2028	2 295	152	-	-
Total tax losses carried forward	**4 915**	**1 583**	**5 704**	**745**

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:

In thousands of Polish Zlotys (PLN)	**Balance 1 January 2022**	**Tax losses expired**	**Additions/ (Realizations)**	**Balance 31 December 2022**	**Tax losses expired**	**Additions/ (Realizations)**	**Balance 31 December 2023**
Tax losses	1 799	(915)	(138)	745	(84)	922	1 583
Total	**1 799**	**(915)**	**(138)**	**745**	**(84)**	**922**	**1 583**

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 2023 are estimated to be PLN 84 thousand (31 December 2022: PLN 915 thousand).

Notes to the Consolidated Financial Statements

Note 16 - Inventory and Residential land bank

For the year ended 31 December 2023:

Inventory

In thousands of Polish Zlotys (PLN)	As 1 January 2023	Transferred to land for development	Transferred from land designated for development	Transferred to finished units	Additions	As at 31 December 2023
Land and related expense	421 324	-	7 445	(44 342)	16 930	401 358
Construction costs	205 595	-	45	(257 120)	224 778	173 298
Planning and permits	22 322	-	722	(7 911)	4 853	19 987
Borrowing costs (2)	48 453	-	1 123	(16 458)	18 303	51 421
Borrowing costs on lease and depreciation perpetual usufruct right (1)	3 923	-	-	(425)	3 866	7 363
Other	3 755	-	190	(6 588)	5 633	2 990
Work in progress	**705 372**	**-**	**9 525**	**(332 843)**	**274 363**	**656 417**

In thousands of Polish Zlotys (PLN)	As 1 January 2023	Transferred from fixed assets	Transferred from work in progress	Recognized in the Statement of Comprehensive Income	As at 31 December 2023
Finished goods	**28 059**	**-**	**332 843**	**(251 294)**	**109 608**

In thousands of Polish Zlotys (PLN)	As 1 January 2023	Transferred to land for development	Transferred from land designated for development	Revaluation write-down recognized in Statement of Comprehensive Income		As at 31 December 2023
				Increase	Utilization/Reversal	
Write-down	(2 970)	-	(1 608)	-	-	(4 577)

In thousands of Polish Zlotys (PLN)	As 1 January 2023	Recalculation adjustment (3)	Depreciation	Transferred from land designated for development	Transfer to Other receivables	As at 31 December 2023
Perpetual usufruct right (1)	16 793	19 611	(682)	(1 674)	(3 008)	31 041

Inventory, valued at lower of - cost and net realisable value	**747 254**	**792 488**

(1) *For additional information see Note 24.*
(2) *Borrowing costs are capitalized to the value of inventory with 11.18% average effective capitalization interest rate.*
(3) *Relates to change in the perpetual usufruct payments from 2023 and 2024 – Note 24.*

Notes to the Consolidated Financial Statements

Note 16 - Inventory and Residential land bank

For the year ended 31 December 2022:

Inventory

In thousands of Polish Zlotys (PLN)	As at 1 January 2022	Transferred to finished goods	Additions	As at 31 December 2022
Land and related expense	358 975	(1 261)	79 610	421 324
Construction costs	115 557	(111 696)	201 734	205 595
Planning and permits	17 131	(3 412)	8 604	22 322
Borrowing costs (2)	38 432	(5 310)	15 331	48 453
Borrowing costs on lease and depreciation perpetual usufruct right (1)	3 039	(350)	1 234	3 923
Other	3 647	(2 263)	2 371	3 755
Work in progress	**536 780**	**(140 293)**	**308 884**	**705 372**

In thousands of Polish Zlotys (PLN)	As at 1 January 2022	Transferred from work in progress	Recognized in the Statement of Comprehensive Income	As at 31 December 2022
Finished goods	**105 681**	140 293	(217 915)	**28 059**

In thousands of Polish Zlotys (PLN)	As at 1 January 2022	Revaluation write-down recognized in Statement of Comprehensive Income		As at 31 December 2022
		Increase	Utilization/Reversal	
Write-down	**(4 118)**	-	1 148	**(2 970)**

In thousands of Polish Zlotys (PLN)	As at 1 January 2022	Recalculation adjustment (3)	Depreciation	Transfer to Other receivables	As at 31 December 2022
Perpetual usufruct right (1)	**17 199**	1 447	(215)	(1 638)	**16 793**

Inventory, valued at lower of cost and net realisable value	**655 542**	**747 254**

(1) *For additional information see Note 24.*
(2) *Borrowing costs are capitalized to the value of inventory with 9.91% average effective capitalization interest rate.*
(3) *Relates to change in the perpetual usufruct payments from 2022.*

Residential land bank

Plots of land purchased for development purposes on which construction or planning activities are not planned within a period of three years has been reclassified as Residential landbank presented within non-current assets. The table below presents the movement in the Residential landbank:

In thousands of Polish Zloty (PLN)	For the 12 months ended 31 December 2023	For the 12 months ended 31 December 2022
Opening balance	**21 094**	**10 041**
Moved from perpetual land use assets	1 674	-
Capital expenditure	1 018	-
Transferred from advances for land	7 402	-
Moved to inventory	(9 525)	-
Purchases during the period	-	12 335
Write-down adjustment	-	(1 282)
Total closing balance	**21 633**	**21 094**
Closing balance includes:		
Costs	28 643	29 681
Write-down	(6 980)	(8 587)
Total Closing balance	**21 633**	**21 094**

Notes to the Consolidated Financial Statements

Note 16 - Inventory and Residential land bank

Residential land bank

During the financial year 2023 the Group decided to reclassify from the inventory line to land designated for development line the perpetual usufruct assets related to KEN project with a total value of PLN 1.7 million. In the period ended 31 December 2023 the company finalized the purchase of a plot in Ochota district in Warsaw with a total amount of PLN 7.3 million which resulted in the movement from the advances for land to land designated for development. Due to changes in project schedule (Skyline, Poznań) PLN 9.4 million was moved to inventory.

In the period ended 31 December 2022 the Company decided to allocate purchased on 29 March 2022 project KEN to the land designated for development in the total amount of PLN 12,187 thousand. The allocation was due to the fact that based on the purchase agreement the current user of the building has the right to evacuate not earlier than the end of 2024, according to the management assessment the process of evacuation is complex and might take even more then 2 years.

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 2023 and 31 December 2022 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.

For the year ended 31 December 2023, as a result of Net Realizable Value (NRV) analysis and reviews, a write-down adjustment for some of the Group's inventory was not changed. The increase in value of write-down adjustment on inventory is the result of movement of PLN 1.6 million from land designated for development to inventory.

Note 17 - Trade and other receivables and prepayments

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Value added tax (VAT) receivables	23 017	39 204
Trade receivables	3 313	1 565
Other receivables	13 361	13 689
Trade and other receivables - IFRS 16 (impact of perpetual usufruct)	2 800	980
Notary's deposit	-	1 100
Prepayments and contract costs(1)	11 048	9 082
Total trade and other receivables and prepayments	**53 539**	**65 620**

(1) The capitalized costs relating to obtaining the contracts have been presented in this line and amounted to PLN 2.4 million for the year ended 31 December 2023 year and PLN 1.6 million for the year ended 31 December 2022.

During the period ended 31 December 2023 and the year ended 31 December 2022, the Group booked allowance for doubtful accounts in the amount of PLN 3.8 million and PLN 0.5 million respectively as irrecoverable debts included in trade and other receivables.

Notary's deposits represent paid amount for the preliminary purchase agreements of lands. The decrease of balance is related to purchase of land in Warsaw, located in Bielany district which was partially paid from notary deposit.

VAT receivables balance decreased by PLN 16.2 million mainly due to VAT return in the amount of PLN 26.7 million, of which the return of PLN 19.7 million was related to previously purchased lands. The VAT return process under Polish regulations takes up to 180 days.

As at 31 December 2023 in the companies: Ronson Development Sp. z o.o. - Projekt 3 Sp. k. ("Projekt 3") and Ronson Development Sp. z o.o. - Projekt 6 Sp. k. ("Projekt 6") there were two ongoing customs and revenue tax inspections.

Other receivables balance consists mostly of receivables under dispute described in the Note 30. As at balance sheet date, based on current status of the proceedings and best estimation of the management board amount of PLN 13,4 million is fully recoverable.

Notes to the Consolidated Financial Statements

Note 17 - Trade and other receivables and prepayments

Ronson Development Sp. z o.o. – Projekt 3 Sp.k.

In April 2021, Ronson Development sp. z o.o. – Projekt 3 sp.k. („Projekt 3") submitted a VAT-7 return for March 2021 to the Head of the Tax Office in Warsaw-Ursynów ("Head of the Tax Office"), in which it showed an excess of input tax over the tax due to be refunded to the bank account in the amount of PLN 2,613,272. In this period, Projekt 3 deducted input tax, inter alia from invoices issued by a seller, relating to the purchase by Projekt 3 of land properties.
Projekt 3's settlements in the above-mentioned scope were first verified in the course of verification activities conducted by the Head of the Tax Office, and then the Head of the Mazovian Customs and Tax Office in Warsaw ("Head of UCS") initiated a tax audit against Projekt 3 with respect to the VAT settlements for the period from February to April 2021.
In connection with the tax audit, the Head of the Tax Office has repeatedly extended the deadline for VAT refunds to Projekt 3, indicating that he will refund the tax when its legitimacy is found in the course of the tax and customs audit.
On 7 February 2024, the Company was served with the final result ending the tax audit. The Head of UCS indicated that Projekt 3 is not entitled to deduct input tax from invoices issued by the abovementioned seller. In the opinion of the Head of UCS, the inclusion of the invoices in question by Projekt 3 in the VAT purchase registers and then in the VAT returns constitutes a violation of Article 88(3a)(4a) of the VAT Act (invoices and customs documents do not constitute the basis for a reduction of the output tax and a refund of the tax difference or a refund of the input tax if: Invoices, correction invoices or customs documents issued: state the activities that have not been carried out - in the part relating to these activities).

Projekt 3 does not agree with the position presented by the Head of UCS. As the tax audit is already completed, it is now expected that the Head of UCS will initiate tax proceedings.

Ronson Development sp. z o.o. – Project 6 sp.k.

In September 2021, Ronson Development sp. z o.o. – Projekt 6 sp.k. („Projekt 6") submitted a VAT-7 return for August 2021 to the Head of the Tax Office, in which it showed an excess of input tax over the tax due to be refunded to the bank account in the amount of PLN 2,647,070. During this period, Projekt 6 deducted input tax, inter alia from invoices issued by the seller documenting the purchase of land properties.
The Company's settlements in the above-mentioned scope were first verified in the course of verification activities conducted by the Head of the Tax Office, and then the Head of UCS initiated a tax audit against Projekt 6 with respect to VAT settlements for August 2021.
In connection with the tax audit, the Head of the Tax Office has repeatedly extended the deadline for VAT refunds to Projekt 6, indicating that he will refund the tax when its legitimacy is found in the course of the tax and customs audit.
On 29 January 2024, Projekt 6 was served with the final result concluding the tax audit. The Head of UCS indicated that Projekt 6 is not entitled to deduct input tax from invoices issued by the abovementioned seller. In the opinion of the Head of UCS, the inclusion of the invoices in question by Projekt 6 in the VAT purchase registers and then in the VAT returns constitutes a violation of Article 88(3a)(4a) of the VAT Act (invoices and customs documents do not constitute the basis for a reduction of the output tax and a refund of the tax difference or a refund of the input tax if: - invoices, correction invoices or customs documents issued: state the activities that have not been carried out - in the part relating to these activities).

Projekt 6 does not agree with the position presented by the Head of UCS. As the tax audit is already completed, it is now expected that the Head of UCS will initiate tax proceedings.

Note 18 - Advances for land

The table below presents the lists of advances for land paid as at 31 December 2023 and 31 December 2022:

Investment location *In thousands of Polish Zlotys (PLN)*	**As at 31 December 2023**	**As at 31 December 2022**
Warsaw, Białołęka	1 450	1 450
Warsaw, Ursus	16 100	10 000
Warsaw, Ursynów	-	2 100
Warsaw, Ochota	-	7 100
Total	**17 550**	**20 650**

For more information about purchase of plots for the year ended 31 December 2023 please refer to Note 36.

Notes to the Consolidated Financial Statements

Note 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 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.

Note 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 *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Cash at bank and on hand	33 304	38 199
Short-term deposit	167 020	3 633
Restricted cash	3 536	9 353
Total cash and cash equivalents	**203 860**	**51 185**

Cash at bank earns interest at floating rates based on daily bank deposit rates. 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 2023 and 31 December 2022 the Group generated interests income through deposits amount of PLN 3.9 million and PLN 1.9 million respectively. The Group held in deposits accounts as at the end of the year respectively PLN 167.0 million and PLN 12.1 million. Throughout the year ended 31 December 2023 and 31 December 2022 the interest on deposits was varying between 0.88% - 5.36% and 2.0% - 5.75% 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 28.

Note 21 - Shareholders' equity

Share capital

The share capital of the Company amounts to three million two hundred and eighty thousand two hundred and sixteen euros and twenty-six cents (€3,280,216.26) and is divided into one hundred and sixty-four million ten thousand eight hundred and thirteen (164,010,813) shares with a par value of two eurocents (€0.02) each. The share capital of the Company was fully covered. The number of issued ordinary shares as at December 31, 2023 and as at December 31, 2022 amounted to 164,010,813. All shares are bearer shares. The number of outstanding shares equals the number of votes, as there are no privileged shares issued by the Company. As at 31 December 2023 and 2022, 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.

Distribution of the net profit for year 2022

The entire net profit for 2022 in the amount of PLN 31.351 thousand was allocated to the Company's retained earnings.

Proposed profit distribution

Until the date of approval of the financial statements for publication, the Management Board of Ronson Development SE has not adopted a resolution on the proposed distribution of net profit for 2023.

Treasury shares

During the Extraordinary General Meeting of Shareholders held on 24 January 2019, the shareholders of the Company decided 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.

Notes to the Consolidated Financial Statements

Note 21 - Shareholders' equity

Treasury shares

Then, on June 30, 2020, the Ordinary General Meeting of the Company adopted a resolution on the adoption of another share buyback program, under which the Management Board of the Company, on July 1, 2020, defined the detailed conditions for the purchase of the Company's own shares, which were also approved by the Supervisory Board of the Company. The maximum amount for the purchase of all shares under the second program was set at PLN 1,369,761.99 (one million three hundred and sixty-nine thousand seven hundred and sixty-one zlotys 99/100).
Currently, due to the fact that the Company is no longer a public company, and all the Company's shares are held directly or indirectly by A. Luzon Group, continuation of the above-mentioned program became irrelevant.
The table below presents the Treasury shares owned by the Company as at 31 December 2023 and 31 December 2022:

	For the 12 months ended 31 December 2023	For the 12 months ended 31 December 2022
Number of shares	164 010 813	164 010 813
Share Capital	12 503 000	12 503 000
Treasury shares	1 567 954	1 567 954
Value of treasury shares	(1 731 716)	(1 731 716)
% of total shares	**0.96%**	**0.96%**

Share based payment

On November 28, 2022, Luzon Group announced a private issuance of options for shares of Amos Luzon Development and Energy Group Ltd. ("Options"). According to the allocation, Mr. Boaz Haim received 9,817,868 Options. Options were allotted free of charge. Each Option entitles to one ordinary share of Luzon Group of NIS 0.01 par value, for an exercise price of 2 NIS (which however will be settled on a net basis, i.e. final number of received shares will be decreased by a number of shares which market value is equal to full exercise price to be paid).
Mr Haim will be entitled to exercise the Options as follows:
(i) after 24 months from the allotment date - up to 40% of allocated Options
(ii) after 36 months from the allotment date - up to 20% of allocated Options
(iii) after 48 months from the allotment date - up to 20% of allocated Options
(iv) after 60 months from the allotment date - up to 20% of allocated Options
The Options can be exercised until the end of 7 years from the date of their allocation. Options that were not exercised within the above-mentioned period, expire. Assuming all the Options are exercised, Mr. Haim will hold c.a. 2.38% of the issued and paid-up capital of Luzon Group and about 1.89% of the issued and paid-up capital of Luzon Group on a full dilution basis. The Option program envisages adjustments in options for share allocation in case of various corporate events in Luzon Group (such as the issuance of shares or other options, merger, dividend distribution, etc.). First impact of the program was recognized in year 2023 and amounted to PLN 1.6m. Program is accounted under IFRS 2 standard as a personal expense, part of administrative costs and Share based payment reserve in equity. Total value of the program as of grant date amounted to PLN 4.7 million.

Note 22 - Net 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 2023 and 2022.

Notes to the Consolidated Financial Statements

Note 22 - Net earnings per share

Weighted average number of ordinary shares (basic and diluted):

For the year ended 31 December *(in thousands of Polish Zlotys)*	**2023**	**2022**
Net income attributable to the equity holders of the parent company	80 705	31 351
Shares in issue	162 442 859	162 442 859
Weighted average number of ordinary shares (basic and diluted)	**162 442 859**	**162 442 859**
Basic and diluted earnings per share (in PLN)	**0,497**	**0,193**

Note 23 - Financial liabilities

The Group's financial liabilities as at 31 December 2023 and 31 December 2022 included bonds and secured bank loans:

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Floating rate bonds	225 320	203 370
Liability to shareholders measured at amortised costs	25 593	70 506
Lease liabilities related to perpetual usufruct	36 737	17 985
Interest bearing deferred trade payables	9 538	-
Secured bank loans	8 815	16 297
Total loans and borrowings	**306 003**	**308 158**

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 32.

Bond loans

The table below presents the movements in bond loans during the year ended 31 December 2023 and during the year ended 31 December 2022 as well as the Current and Non-currents balances as at the end of respective periods:

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Opening balance	**203 370**	**249 238**
Repayment of bond loans	(40 000)	(50 000)
Remission of bonds	-	-
Proceeds from bond loans (nominal value)	60 000	-
Issue cost paid	(863)	-
Issue cost amortization	1 262	1 349
Accrued interest	24 134	18 086
Interest repayment	(22 583)	(15 303)
Total closing balance	**225 320**	**203 370**
Closing balance includes:		
Current liabilities	106 644	45 260
Non-current liabilities	118 676	158 110
Total Closing balance	**225 320**	**203 370**

On 2 October 2023, the Company partially repaid series V bonds in a total amount of PLN 40 million. After repayment series V bonds amounted to PLN 60 million.

Notes to the Consolidated Financial Statements

Note 23 - Financial liabilities

Bond loans as at 31 December 2023:

In thousands of Polish Zlotys (PLN)	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Charges and fees	Carrying value	Fair value[3]
Bonds loans series V[1]	PLN	6 month Wibor + 4.30%	2024	60 000	1 472	(166)	61 306	60 120
Bonds loans series W[2]	PLN	6 month Wibor + 4.00%	2025	100 000	2 021	(605)	101 416	100 890
Bonds loans series X[4]	PLN	6 month Wibor + 4.20%	2026	60 000	3 318	(720)	62 597	60 240
Total				**220 000**	**6 810**	**(1 491)**	**225 320**	**221 250**

1) Series V bonds issued on October 2020 are repayable in two tranches: 40% (PLN 40.0 million) of the value plus accrued interest were repaid in October 2023, additional amount of 8.9 million was redeemed against new issuing of Serial P2023A issued on February 2024, the remaining part (PLN 51.1 million) plus accrued interest will be repaid in April 2024.
2) The series W bonds issued on April 2021 are subject to repayment in 2 tranches 40% (PLN 40.0 million) of the amount together with accumulated interest to be repaid by October 2024 and the remaining amount of 60% (PLN 60.0 million) together with accumulated interest to be paid by April 2025.
3) The fair value is set based on the bond price on Catalyst as at 31 December 2023. classified as level 1 of fair value hierarchy.
4) The series X bonds issued in July 2023 are secured by joint mortgage up to the amount of 90.0 million Polish zlotys. The series X bonds are to be repaid in July 2026.

Bond loans as at 31 December 2022:

In thousands of Polish Zlotys (PLN)	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Charges and fees	Carrying value
Bonds loans series V[1]	PLN	6 month Wibor + 4.30%	2024	100 000	2 865	(817)	102 049
Bonds loans series W[2]	PLN	6 month Wibor + 4.00%	2025	100 000	2 394	(1 073)	101 321
Total				**200 000**	**5 260**	**(1 890)**	**203 370**

1)The series V bonds are subject to repayment in 2 tranches 40% (PLN 40 million) of the amount together with accumulated interest were repaid in 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.

Financial ratio covenants

Based on the conditions of bonds V, W and X 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 2023 and as at 31 December 2022 the Company did not breach any bonds loan covenants, which would 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 2023 and 31 December 2022:

In thousands of Polish Zlotys (PLN)	As at 31 December 2023	As at 31 December 2022
Loans and borrowings	225 320	203 370
Secured bank loans	8 815	16 297
Financial liability measured at FVPL	-	70 506
Financial liability measured at amortised cost	25 593	-
IFRS 16 – Lease liabilities related to cars	489	363
Less: Cash on individual escrow accounts (other current financial assets)	(12 809)	(11 217)
Less: Cash and cash equivalents	(203 860)	(51 185)
Net Debt	**43 547**	**228 134**
Equity	533 672	451 396
Ratio	**8,20%**	**50,50%**
Max Ratio	**80,00%**	**80,00%**

Notes to the Consolidated Financial Statements

Note 23 - Financial liabilities

Other covenants

Based on the conditions of bonds V, W and X transactions with related-parties related to the purchase of services, products or assets (shareholders holding more than 25% of the shares in the Group "within the meaning of IAS 24 or with related parties "including with entities controlling the Group 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 2023 and year ended 31 December 2022, the consulting fees related to A. Luzon Group amounted to PLN 922 thousand and PLN 900 thousand respectively.

Impact of IFRS 16 on financial ratios in bond covenants

Terms and conditions of issuance of Bonds of the Group ("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 the account the type of activities carried out by the Group, despite changes in the IFRS in this respect, the Group 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 Group does not include such finance lease alike items in such calculations.

For additional information about IFRS 16 see Note 24.

Secured bank loans

The table below presents the movement in Secured bank loans:

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Opening balance	**16 297**	**1 568**
New bank loan drawdown	96 538	97 934
Bank loans repayments	(104 020)	(83 205)
Bank charges paid	(987)	(2 150)
Bank charges presented as prepayments	874	1 273
Bank charges amortization (capitalized on Inventory)	112	876
Accrued interest on bank loans	1 361	769
Interest repayment on bank loans	(1 361)	(769)
Total closing balance	**8 815**	**16 297**
Closing balance includes:		
Current liabilities	8 815	16 297
Non-current liabilities	-	-
Total Closing balance	**8 815**	**16 297**

Bank loans as at 31 December 2023:

Investment	**Currency**	**Nominal interest rate**	**Signing date**	**Year of maturity**	**Total credit line amount in** *(PLN thousand)*	**Balance as at 31 December 2023** *(PLN thousand)*
Osiedle Vola	PLN	1 Month Wibor + 2.80%	12 Apr 2023	2026	44 779	730
Thame	PLN	1 Month Wibor + 2.80%	23 Jun 2023	2026	29 000	1 717
Między Drzewami	PLN	1 Month Wibor + 2.80%	23 Jun 2023	2026	40 500	6 368
Total					**114 279**	**8 815**

As at 31 December 2023 there were no accrued interests.

Notes to the Consolidated Financial Statements

Note 23 - Financial liabilities

Bank loans as at 31 December 2022:

Investment	Currency	Nominal interest rate	Signing date	Year of maturity	Total credit line amount in *(PLN thousand)*	Balance as at 31 December 2022 *(PLN thousand)*
Grunwaldzka	PLN	Wibor 3M + 2.90%	26 Nov 2021	2025	20 880	11
Miasto Moje VI	PLN	Wibor 3M + 2.50%	28 Jan 2022	2023	59 600	11 755
Ursus IIC	PLN	Wibor 3M + 2.50%	11 Apr 2022	2023	61 900	-
Nowe Warzymice IV	PLN	Wibor 3M + 2.20%	15 Jul 2022	2023	20 000	2 604
Viva Jagodno IIB	PLN	Wibor 3M + 2.20%	15 Jul 2022	2023	38 850	1 928
Total					**201 230**	**16 297**

Secured bank loans

The bank loans are presented as short-term due to the fact that those are the credit lines used by the Group and repaid during normal course of business (up to 12 months).

All credit bank loans are secured.

Covenants on secured bank loans

As at 31 December 2023 and 2022, the Group has not breached any loan covenant, which would expose the Group for risk of obligatory and immediate repayment of any loan.

For the bank loans the following collateral was given:

- First priority mortgage on the financed Real Estate:

Investment	Currency	Credit line amount in *(PLN thousand)*	Mortgage on land *(PLN thousand)*
Osiedle Vola	PLN	44 779	12 853
Thame	PLN	29 000	8 518
Między Drzewami	PLN	40 500	8 669
Total		**114 279**	**30 040**

- Registered pledges and financial pledges, with the highest priority of satisfaction, established in favor of the Lender on all shares in the Borrower's Company/share capital
- Registered pledges and financial pledges, with the highest priority of satisfaction, established in favor of the Lender on all Bank Accounts, excluding, however, the Project Housing Trust Account and the VAT Split Payment Account
- Assignment of rights and receivables under the following agreements: Insurance Contracts relating to both the Execution Period and the operational phase; the Construction Contract; Guarantee received; other material contracts relating to the Project
- Registered and first priority financial lien on the Project Accounts, together with a power of attorney over the Project Accounts (excluding OMRP and split payment account) and pledge of future receivables from the escrow account,
- Subordination agreement on loans from related parties.
- Voluntary submission to execution by the Borrower pursuant to Article 777 of the Code of Civil Procedure,
- A support agreement with the Project Sponsor (Ronson Development SE is not a Sponsor in the existing agreements) containing a commitment to cover overruns of the Total Project Costs up to an amount equal to 10% of the Project Budget (without land costs and budget reserves) together with a submission to enforcement pursuant to 777 of the Civil Code,
- Advance payments of dividends by the borrowers until full repayment of loans are not allowed.

Notes to the Consolidated Financial Statements

Note 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 2023 and 31 December 2022 is presented below:

In thousands of Polish Zlotys (PLN)	1 January 2023	Transferred to Land designated for development	Additions	Disposals	Depreciation charge	Fair value adjustment	Recalculation adjustment (1)	Transfer to trade receivables	31 December 2023
Right of use assets related to inventory	16 793	(1 674)	-	-	(682)	-	19 612	(3 008)	31 041
Right of use assets related to investment property	673	-	-	-	(20)	91	-	-	744
Right of use assets related to Land designated for development	-	1 674	-	-	(49)	0	0	-	1 625
Right of use assets related to fixed assets	364	-	381	(119)	(68)	0	0	-	558

In thousands of Polish Zlotys (PLN)	1 January 2023	Additions	Disposals	Finance expense	Payments	Recalculation adjustment (1)	Transfer to trade payables	31 December 2023
Lease liabilities related to inventory	16 888			3 115	(1 244)	19 569	(2 960)	35 368
Lease liabilities related to fixed assets	434	320	(105)	1		-	-	- 650
Lease liabilities related to investment property	663			46	(46)	57		- 720

In thousands of Polish Zlotys (PLN)	1 January 2022	Acquisitions	Depreciation charge	Fair value adjustment	Recalculation adjustment (1)	Transfer to trade receivables	31 December 2022
Right of use assets related to inventory	17 199	1 674	(215)	-	(227)	(1 638)	16 793
Right of use assets related to investment property	545	-	(10)	-	138	-	673
Right of use assets related to fixed assets	296	154	(86)	-	-	-	364

In thousands of Polish Zlotys (PLN)	1 January 2022	Acquisitions	Finance expense	Payments	Recalculation adjustment (1)	Transfer to trade payables	31 December 2022
Lease liabilities related to inventory	17 231	1 674	1 049	(1 162)	(265)	(1 639)	16 888
Lease liabilities related to fixed assets	292	142	-	-	-	-	434
Lease liabilities related to investment property	553	-	34	(45)	121	-	663

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

Notes to the Consolidated Financial Statements

Note 25 - Investors agreement ("SAFE Agreement")

On 25 May 2023, the Company and Luzon Group entered into an agreement for settling the return of the amounts received related to the SAFE Agreements and releasing the Company from its obligation towered the SAFE Investors.
Conclusion of this agreement results from the fact that the Company has decided that within the period specified in the SAFE Agreements it will not apply for admission of the Company's shares to trading on the Tel Aviv Stock Exchange. On the basis of the agreement, the Company undertook to return to Luzon Group the financing received from Investors under the SAFE Agreements in the total amount of ILS 60 million (sixty million Israeli shekels), to satisfy Luzon Group's claims against the Company under the SAFE Agreements and applicable Israeli law. Payments to Luzon Group in the total amount of PLN 40 million (approx. ILS 34.3 million) were made in May and November 2023, and subsequent payments will be made in accordance with the schedule agreed by the parties to the agreement, determined taking into account the capital needs of Luzon Group and the liquidity and financial situation of the Company, with the provision that these payments will become due no earlier than 1 January, 2024, and the total amount of payments to Luzon Group in 2024 will not exceed PLN 25 million (approx. ILS 22 million) and the remaining amount will be repaid in 2025. Based on the Company's Management judgment, it was concluded that signing of the agreement of May 25, 2023 resulted in the extinguishments of the liability to investors and the recognition of a new liability to Luzon Group, which was recognized as a financial liability measured at amortized cost with a discounted cash flow rate of 7.14% per annum. The value of the liability does not differ significantly from the value measured at fair value.

The table below presents the movement on the new liability to Luzon Group for the period from May 25, 2023 to the end of the reporting period, i.e. December 31, 2023:

Investor	Liability at amortized cost [in PLN]	Liability recognition date	Repayment of liability [in PLN]	Finance expense related to discount factor reversal [in PLN]	Finance income related to forex exchange cost [in PLN]	Value of the liability at amortized cost December 31, 2023 [in PLN]
Amos Luzon Development and Energy Group Ltd.	64 083 496	25 May 2023	40 000 000	2 311 279	885 677	25 592 623
					Long term part	19 519 018
					Short term part	6 073 604

The difference between the fair value of the financial liability to investors, which was derecognized, and the fair value of the new liability to Luzon Group as at the date of recognition (25 May 2023), resulted in a financial cost of PLN 2.6 million, recognized in the income statement under Gain/(loss) on a financial instrument measured at fair value through profit and loss, resulting from a change in the discount rate depending on the interest rate on Luzon bonds groups. The Company points out that the financing granted under the SAFE Agreements has been classified in the financial statements as a financial liability of the Company since it was obtained.
As at 25 May 2023, the fair value of the liability towards SAFE Investors was 54,601 thousand Israeli shekels (PLN 61,524 thousand) assuming market conditions of the transaction as at the valuation date with a discounted rate of 9.3% per annum. At the moment of derecognition of liabilities to investors, gain on fair value measurement in the amount of PLN 8.9 million was recognized in the income statement in line gain(loss) in fair value of financial instrument at fair value through profit and loss, no value was recognized in other comprehensive income.

On July 7, 2023, the Company and Luzon Group signed an annex to the above agreement, on the basis of which, after carrying out transfer pricing analyses, they agreed that the remaining amount to be repaid would bear interest at 3% per annum. Interests were already considered in initial recognition of liability towards Luzon.

SAFE Agreement - description of the background of financial liability measured at fair value until derecognition

On 1 February 2022 and 22 February 2022, the Company entered into five separate SAFE agreements with Israeli institutional investors ("SAFE Agreements") raising a total amount of ILS 60 million, equivalent of PLN 61.5 million in FVPL as at 25 May 2023 and equivalent of PLN 70.5 million in FVPL as at 31 December 2022. On the 25 May 2023, the company and its main shareholder (Amos Luzon Development and Energy Group Ltd.) signed a settlement agreement which together with original SAFE Agreements resulted in derecognition of financial liability measured at FVPL.

Notes to the Consolidated Financial Statements

Note 25 - Investors agreement ("SAFE Agreement")

SAFE Agreement - description of the background of financial liability measured at fair value until derecognition

The SAFE Agreements granted 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 shares of the Company at a discounted price and for instruments convertible into shares in the Company, if the shares in the Company are admitted to trading on the Tel-Aviv Stock Exchange, secured by the right to convert their investments into shares or bonds of the Luzon Group if the shares in the Company were not admitted to trading on the Tel-Aviv Stock Exchange.

The above agreements do not impose any restrictive covenants or onerous undertakings on the part of the Group as well as it does not bear any interest.

The respective instrument should be classified as a financial liability because it includes the obligation to deliver cash to investors in the event of change of control and it includes a conversion option that does not meet the fixed-for-fixed criteria. The Group designated the financial liability as measured at FVPL entirely, on initial recognition. No amount was recognized through the other comprehensive income.

The table below presents payments made by Investors and the valuation of the financial liability as at the date of derecognition of the liability May 25, 2023 and as at December 31, 2022:

Investor	Amount of the investment in Ronson [in ILS]	Date of payment	Paid to Ronson [in EUR]	Paid to Ronson on the transaction date [in PLN]	Fair value 31.12.2022 [in PLN]	Fair value 25.05.2023 [in PLN]	Gain(loss) in fair value of financial instrument at fair value through profit and loss [in PLN]
EJS Galatee Holdings	1 500 000	23 February 2022	413 232	1 876 734	1 773 104	1 547 231	225 873
Sphera Master Fund L.P	26 500 000	18 February 2022	7 264 254	32 753 070	30 944 513	27 002 544	3 941 970
Sphera Small Cap L.P	2 000 000	18 February 2022	551 953	2 488 646	2 351 228	2 051 709	299 519
Moore Provident Funds	15 000 000	23 February 2022	-	18 656 716	17 626 531	15 381 117	2 245 414
Klirmark Opportunity Fund III L.P	15 000 000	24 February 2022	-	18 851 326	17 810 395	15 541 558	2 268 836
Total	**60 000 000**		**8 229 439**	**74 626 492**	**70 505 771**	**61 524 159**	**8 981 612**

Valuation process and valuation techniques

The valuations of the SAFE agreements until 25 May 2023 was performed by external advisors Prometheus Financial Advisory, which specializes in financial accounting and complex financial instruments. The valuation of the instrument was determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held-Group Equity Securities Issued as Compensation, (the "AICPA Practice Aid") and according to the principles of valuation of equity securities of private companies issued as part of compensation. The assumptions used in the valuation model are based on the future expectations combined with the

Group's management judgement. Numerous objective and subjective factors to determine the fair value of the ordinary shares as of the date of each option grant, including the following factors:

a) the prices, rights, preferences and privileges of the preferred shares;
b) current business and market conditions and projections;
c) the Group's stage of development;
d) the likelihood of a liquidity event for the ordinary shares underlying these options, such as an initial public offering or sale of the Group, given prevailing market conditions.

For valuation purposes, each of the SAFE agreements consists of two components: equity (assuming a public offering of the Company's shares in Israel and listing of the Company's shares on the Tel Aviv Stock Exchange (collectively, the "IPO")) and debt. As at the valuation date, i.e. May 25, 2023, the company's Management Board estimates that the probability of an IPO has decreased to 0% due to significant formal complications, in particular tax complications (the administrative complicity of maintaining and tracing share exchange transactions without local broker and connection to polish tax authorities, the obligation to pay capital gains tax by investors; the obligation to pay dividend tax in Poland; registration for tax purposes in Poland and having a taxpayer number; submitting reports on your income on an annual basis) for potential shareholders purchasing the Company's shares on the Tel Aviv Stock Exchange. As of the date of this report, it is already confirmed that the listing of the Company's shares on the Tel Aviv Stock Exchange will not take place.

The valuation focused solely on the valuation of the debt component.

Notes to the Consolidated Financial Statements

Note 25 - Investors agreement ("SAFE Agreement")

Valuation process and valuation techniques

In order to estimate the fair value of SAFE at the date of derecognition of the liability, the investors' loss was reduced by the original amount of SAFE. This amount, which is reflected in the gain on fair value measurement of SAFE liabilities, amounted to PLN 6,376 thousand and was recognized in the Consolidated Statement of Comprehensive Income. The main factor causing the change in the fair value of the financial liability was the change in the YTM of Luzon bonds (series 10) from 6.54% as at December 31, 2022 to 9.3% as at May 25, 2023.

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

	Fair Value as at			Range of input (probability weighted average)		
Description	**25 May 2023** *[PLN thousands]*	**31 December 2022** *[PLN thousands]*	**Unobservable input**	**25.05.2023**	**31.12.2022**	**Relationship of unobservable inputs to fair value**
Financial liability at fair value through profit or loss (SAFE agreement)	61 524	70 506	YTM (Yield to Maturity) discount rate	3%-9.3%	3%-6.54%	A shift of the YMT rate by +1 p.p. results in a lower value of 768 thousands PLN (2022: change in default rate by +1 p.p. decreased FV by PLN ('000) 1 168)

Changes in the other factors do not materially affect the valuation, as it is linked to the observable transaction that was the transfer of cash by Investors.

Note 26 - Trade and other payables and accrued expenses

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Trade payables	26 728	22 681
Trade payable related to purchase of land(1)	23 450	23 450
Accrued expenses	29 656	24 020
Guarantees for construction work	2 663	1 472
Value added tax (VAT) and other tax payables	3 536	1 778
Non-trade payables	969	674
Other trade payables - IFRS 16	2 761	981
Total trade and other payables and accrued expenses	**89 762**	**75 055**

(1) The balance relates to land purchase transaction held on 19 September 2022 in which the Group via it subsidiary signed final agreement for the purchase of the land on Wolska Street Warsaw, the payment is deferred to 31 March 2024.

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

Group has also Credit line from General Constructor with WIBOR 6M interests rate. Group concluded that this payable should be treated as normal payable to the General constructor taking into consideration character and substance of the transaction, as well as fact that settlements with general constructors are normal operational course of business of the Group. Value of the interests bearing deferred trade payable amounted to PLN 9,5 million as of 31 December 2023. Taking into consideration above-mentioned, Management concluded that movement in Consolidated Statement of Cash Flows should be presented in operating activities.

Note 27 - 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 recognized 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).

Notes to the Consolidated Financial Statements

Note 27 - Advances received

In thousands of Polish Zlotys (PLN)	As at 31 December 2023	As at 31 December 2022
Deferred income related to the payments received from customers for the purchase of products, not yet included as income in the income statement		
Opening balance	139 911	198 047
- increase (advances received)	485 505	242 123
- decrease (revenue recognized)	(394 408)	(300 258)
Total advances received	**231 008**	**139 911**
Other (deferred income)*	3 167	-
Total	**234 175**	**139 911**

** Deferred income due to issued invoices for delivered units but not fully paid as at 31 December 2023.*

Additional information regarding receivables which are a result of signed agreements with the clients, please see Note 30.

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 6 months from the completion of construction stage.

Note 28 - Fair value estimation of financial assets and liabilities

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

In thousands of Polish Zlotys (PLN)	***Category***	***Note***	As at 31 December 2023	
			Carrying amount	Fair value
Assets:				
Trade and other receivables	*Assets measured at amortized costs*	*17*	14 361	14 361
Other current financial assets	*Assets measured at amortized costs*	*19*	12 809	12 809
Cash and cash equivalents	*Assets measured at amortized costs*	*20*	203 860	203 860
Loans granted to joint ventures	*Assets measured at amortized costs*	*14*	145	145
Liabilities:				
Bond loans	*Liabilities measured at amortized costs*	*23*	225 320	221 250
Secured bank loans	*Liabilities measured at amortized costs*	*23*	8 815	7 691
Liability to shareholders measured at amortised costs	*Liabilities measured at amortized costs*	*25*	25 593	25 593
Interest bearing deferred trade payables	*Liabilities measured at amortized costs*	*26*	9 538	9 538
Trade and other payables and accrued expenses	*Liabilities measured at amortized costs*	*26*	89 761	89 761

In thousands of Polish Zlotys (PLN)	***Category***	***Note***	As at 31 December 2022	
			Carrying amount	Fair value
Assets:				
Trade and other receivables	*Assets measured at amortized costs*	*17*	15 254	15 254
Other current financial assets	*Assets measured at amortized costs*	*19*	11 217	11 217
Cash and cash equivalents	*Assets measured at amortized costs*	*20*	51 185	51 185
Loans granted to others	*Assets measured at amortized costs*		1 717	1 717
Loans granted to joint ventures	*Assets measured at amortized costs*	*14*	133	133
Liabilities:				
Bond loans	*Liabilities measured at amortized costs*	*23*	203 370	184 680
Secured bank loans	*Liabilities measured at amortized costs*	*23*	16 297	15 221
Trade and other payables and accrued expenses	*Liabilities measured at amortized costs*	*26*	70 150	70 150

Notes to the Consolidated Financial Statements

Note 28 - Fair value estimation of financial assets and liabilities

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;
- secured bank loans 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 2023 was assessed as insignificant.
- bonds: the fair value is set based on the bond price on Catalyst as at 31 December 2023.

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 2023 and 31 December 2022 and are as follows:

As at 31 December	2023	2022
Secured bank loans	8,6% - 8,7%	9,22% - 10,04%
Bond loans	9,82% - 11,44%	6,56% - 11,44%
Financial liability measured at amortised cost/FVPL	7,14%	6,54%
Loans granted	5% - 6%	5% - 6%

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).

Note 29 - Fair value measurement hierarchy

Quantitative disclosures fair value hierarchy for assets and liabilities as at 31 December 2023:

		Fair value measurement using:		
In thousands of Polish Zlotys (PLN)	*Date of valuation*	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-23	-	74 920	8 301
Liabilities for which fair values are disclosed:				
Bond loans	31-Dec-23	221 250	-	-
Interest bearing deferred trade payables	31-Dec-23	-	9 538	-
Liability to shareholders measured at amortised costs	31-Dec-23	-	25 593	
Secured bank loans	31-Dec-23	-	7 691	-

Quantitative disclosures fair value hierarchy for assets and liabilities as at 31 December 2022:

		Fair value measurement using:		
In thousands of Polish Zlotys (PLN)	*Date of valuation*	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-22	-	54 897	8 242
Liabilities for which fair values are disclosed:				
Bond loans	31-Dec-22	184 680	-	-
Secured bank loans		-	16 297	
Financial liability measured at FVPL	31-Dec-22	-	-	70 506

Notes to the Consolidated Financial Statements

Note 30 - 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:

	Commitments			
In thousands of Polish Zlotys (PLN)	**Contracted amount as at 31 December 2023**	**As at 31 December 2023**	**Contracted amount as at 31 December 2022**	**As at 31 December 2022**
TechBau Budownictwo Sp. z o.o.	96 918	49 342	36 600	35 357
Hochtief Polska S.A.	70 300	33 657	51 380	1 819
W.P.I.P. - Mardom Sp. z o.o.	36 000	13 966	32 500	24 073
Totalbud S.A.	17 434	11 914	142 891	41 143
EBUD - Przemysłówka Sp. z o.o.	43 178	4 162	-	-
Leancon Sp. z o.o.	32 510	3 455	44 161	28 286
Karmar S.A.	112 078	2 192	19 150	9 610
Total	**408 418**	**118 687**	**326 683**	**140 288**

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 costs of the ongoing projects. The amounts presented in the table below include the unutilized part of the construction loans available to the Company/Group:

In thousands of Polish Zlotys (PLN)	**As at 31 December 2023**	**As at 31 December 2022**
Osiedle Vola	22 429	-
Thame	27 283	-
Między Drzewami	23 892	-
Miasto Moje VI	-	16 242
Ursus Centralny IIc	-	61 900
Grunwaldzka	-	10 884
Viva Jagodno IIB	-	17 846
Nowe Warzymice IV	-	12 757
Total	**73 604**	**119 630**

Notes to the Consolidated Financial Statements

Note 30 - Commitments and contingencies

Receivables - contracted sales not yet recognized

The table below presents whole consideration 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 2023 (including the payments received and unsatisfied obligation for payments at 31 December 2023 and 31 December 2022) and not yet delivered to clients:

		As at 31 December 2023			As at 31 December 2022		
In thousands of Polish Zlotys (PLN)	**Date of project completion**	**Total value of preliminary sales agreements signed with clients**	**Advances received from Clients as of 31 December 2023**	**Contracted payments not received yet as at 31 December 2023**	**Total value of preliminary sales agreements signed with clients**	**Advances received from Clients until 31 December 2022**	**Contracted payments not received yet as at 31 December 2022**
Ursus Centralny IIe	Q4 2024	87 325	19 391	67 934	1 550	126	1 423
Ursus Centralny IIc	Q3 2023	82 765	71 746	11 019	34 565	12 856	21 709
Miasto Moje VII	Q4 2024	73 936	25 722	48 214	569	61	508
Osiedle Vola	Q1 2024	68 937	49 593	19 344	10 366	2 511	7 854
Między Drzewami	Q3 2024	53 777	17 613	36 164	10 610	1 933	8 677
Nowa Północ Ia	Q1 2024	30 451	15 354	15 097	4 022	694	3 328
Eko Falenty I	Q4 2023	20 653	14 288	6 365	3 833	798	3 034
Nova Królikarnia 4b1	Q2 2025	14 071	4 743	9 329	-	-	-
Miasto Moje VI	Q1 2023	8 240	6 116	2 125	50 367	28 080	22 286
Viva Jagodno III	Q3 2025	6 499	438	6 062	923	92	831
Viva Jagodno IIb	Q2 2023	5 305	1 330	3 976	26 461	10 364	16 098
Grunwaldzka	Q2 2023	3 213	778	2 435	21 014	14 499	6 514
Viva Jagodno IIa	Q4 2022	2 151	226	1 925	2 087	1 706	381
Nowe Warzymice IV	Q2 2023	2 030	598	1 432	12 072	3 906	8 167
Miasto Moje V	Q3 2022	1 336	383	953	2 526	1 539	987
Ursus Centralny IIb	Q1 2023	699	691	7	82 039	57 579	24 460
Miasto Moje IV	Q4 2021	334	229	105	1 492	500	993
Nowe Warzymice III	Q4 2022	32	37	(4)	612	61	551
Other (old) projects		1 833	1 732	96	3 706	2 606	1 102
Total (excluding JV)		**463 587**	**231 008**	**232 578**	**268 814**	**139 911**	**128 903**
Wilanów Tulip	Q3 2021	-	-	-	759	101	658
TOTAL		**463 587**	**231 008**	**232 578**	**269 574**	**140 012**	**129 561**

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

Litigations

Ursus Centralny

On 19 November 2021, the State Treasury (Skarb Państwa) – President of the Capital City of Warsaw notified Ronson Development Sp. z o.o. – Ursus Centralny Sp. k. ("Ursus Centralny Company") on the termination of the annual fee for perpetual usufruct of land owned by the State Treasury, located in Warsaw at 6 and 6A Taylor st. The Company received a decision to pay the annual fee in the new amount from 1 January 2022, i.e.:

- for 2022 in the amount of PLN 476 thousand
- for 2023 in the amount of PLN 2,034 thousand
- for 2024 and subsequent years in the amount of PLN 3,591 thousand

The Management Board of Ursus Centralny Company submitted an application to the Local Government Boards of Appeal in Warsaw for a determination that the increase in the fee for perpetual usufruct was unjustified. The Group treats it as the contingent liability.

Ursus Centralny Company submitted an application to the Local Government Boards of Appeal (Samorządowe Kolegium Odwoławcze) in Warsaw for a determination that the increase in the fee for perpetual usufruct was unjustified.

On 7 April 2022, the Local Government Boards of Appeal in Warsaw received a letter from the State Treasury – the President of the Capital City of Warsaw, which showed that there was no possibility of reaching a settlement in the above case.

Notes to the Consolidated Financial Statements

Note 30 - Commitments and contingencies

Litigations

Ursus Centralny

On 1 July 2022, Ursus Centralny Company received a judgment of 25 May 2022 from the Local Government Boards of Appeal dismissing the company's application. Therefore, on 13 July 2022, Ursus Centralny Company submitted an objection to the District Court in Warsaw.

It should be emphasized that, already after the President of the City of Warsaw terminated the amount of the annual fee for perpetual usufruct of the real estate constituting plot of land No. 98/2 within precinct 1465128.2-09-09 of the total area of 65 198 m2 (hereinafter: "Property"), which was made by letter dated 19 November 2021, the Property was divided on the basis of division decision No. 335/2022 dated 22.07.2022. By the decision in question the Property was divided into investment plots Nos. 98/7, 98/8, 98/9, 98/10 and 98/11, a plot designated for a city square No. 98/14 as well as plots designated for public roads marked with Nos. 98/12, 98/13 and 98/15. Thus, on the day on which the above-mentioned division decision became final (i.e. on 1.09.2022) three above-mentioned road plots with a total area of 15 140 m2 became the ownership of the City of Warsaw, which means that the area of the property covered by the administrative procedure described above was reduced. The above means that if Ursus Centralny Company's objection against the decision of the Local Government Board of Appeal in Warsaw of May 25, 2022 is dismissed, the perpetual usufruct fee in the new, increased amount will be calculated on the entire area of the Property for the period from 1.01.2022 to 1.09.2022, while from 2.09.2022 it will be calculated from the area reduced as a result of the above division.

In addition, as of 28 October 2022, the perpetual usufruct right of the newly separated investment plot marked with No. 98/7 with an area of 8 686 m2 developed with residential buildings was transformed into ownership, which will also affect the amount of the perpetual usufruct fee calculated after 28 October 2022.

Furthermore, on the basis of the agreement concluded between Ursus Centralny Company and the State Treasury on 27.10.2022, Rep. A. 16373/2022, on change of the purpose of perpetual usufruct of a part of the property, it was established that with regard to real estate constituting plots No. 98/8 (with an area of 7 441 m2), 98/9 (with an area of 7 062 m2) and 98/10 (with an area of 9 880 m2), the annual fee rate for perpetual usufruct of land will be, starting from 1 January 2023, 1% in accordance with Article 73(2f) and Article 72(3)(4) of the Real Estate Management Act.

On 30 November 2023, the Court admitted evidence of a written opinion from a property valuation expert, which had not been issued by the date of this report. However, considering progress in changing the condition of the land and current market practices in similar cases, the Group decided to reassessed lease liability and asset from right of use, which resulted in recognition of additional right of use assets related to inventory and the lease liabilities for perpetual usufruct right related to inventory amounted to PLN 13,916 thousand.

Galileo

On 3 February 2023, in the case against Ronson Development Sp. z o. o. – Estate Sp. k., a subsidiary of the Company which ran the Galileo development project (the "Galileo Company"), a judgment was issued obliging Galileo Company to pay the plaintiff (the buyer of the premises in this project) the amount of PLN 80 000 with statutory interest from the date of filing the lawsuit (May 28, 2013) as a reduction in the price of the premises due to its defects. The judgment was issued by the court of second instance and is final and has been executed. In connection with its issuance, the Company decided to create a provision for other similar cases in the total amount of PLN 2.1 million as at 31 December 2022 and from which an amount of PLN 535 thousand was realized till the end of 2023.

In the first quarter of 2023 the Company entered into settlements in three cases whereby the price reduction claims were paid and the parties agreed to enter into court settlements whereby the actions would be withdrawn. Moreover, Galileo Company is a defendant in 7 similar cases that are being considered by the court of first instance.

At the same time, Galileo is the plaintiff in the case against Eiffage Polska Budownictwo S.A. the general contractor of the Galileo development project ("Eiffage"), its insurer and other entities involved in the implementation of the investment and their insurers, the subject of which is recognition of the liability of Eiffage and others for damage to the Galileo Company related to the improper implementation of this project and compensation. In addition, Galileo Company has already obtained partial compensation from the designers and their insurer for the damage caused during the construction of this project.

Notes to the Consolidated Financial Statements

Note 30 - Commitments and contingencies

Litigations

Matters relating to the acquisition of certain real estate

In January 2023, the Ronson Group companies issued calls for payment to several affiliated companies that were sellers (or otherwise involved in the sale) for the return of the deposit paid or double the amount paid, for the return of the loan granted, for the return of the remainder of the deposit and for the payment of compensation for the sale of real estate with a contractual mortgage registered in section IV of the real estate register:

- Ronson Development sp. z o.o. - Projekt 3 sp.k. ("Projekt 3") issued a call for payment of PLN 6 462 113 (six million, four hundred and sixty-two thousand, one hundred and thirteen zloty) as reimbursement of a portion of the down payments made towards the price of real estate on ul. Epopei in Warsaw, addressed to the seller and the guarantors. Projekt 3's claim arises from an overpayment of the price of the purchased properties. This claim was accepted by the seller in the concluded sale agreement. In connection with the failure to pay within the time limit set out in the summons, Projekt 3 applied for enforcement clauses for declarations of voluntary submission to enforcement against the seller and the guarantors;
- Ronson Development SPV4 sp. z o.o. ("SPV4") sent requests for payment of PLN 1 781 694 (one million seven hundred eighty-one thousand six hundred ninety four zlotys) for the repayment of a loan granted with interests to the company from which the property in ul. Dobosza in Warsaw was acquired (the loan was granted for purposes related to this acquisition), as well as to three other companies related to the seller who provided a guarantee for the repayment of this debt. As a result of the failure to pay within the stipulated timeframe, SPV4 applied for enforcement clauses for the declarations of voluntary submission to enforcement against both the seller and the guarantors;
- Ronson Development sp. z o.o. - Projekt 4 sp.k. ("Projekt 4") withdrew from the preliminary agreement for the acquisition of real estate on ul. Wysockiego in Warsaw due to non-performance of the conditions for conclusion of the final agreement and demanded payment of PLN 9 840 000 (nine million eight hundred and forty thousand zlotys) as reimbursement of the double amount of the deposit. Projekt 4 sent a summons for payment and then, as a result of failure to pay within the prescribed time limit, applied for an enforceability clause to be applied to the statement on voluntary submission to enforcement;
- Projekt 4 issued a call for payment of PLN 861 000 (eight hundred and sixty-one thousand zlotys) as reimbursement of the remainder of the deposit paid under the preliminary agreement for the sale of the property at ul. Kasprzaka in Warsaw, which was ultimately not acquired by a Ronson Group company;
- In connection with the acquisition of the real estate at Al. Komisji Edukacji Narodowej in Warsaw with a contractual mortgage registered in Section IV, contrary to the preliminary sale agreement, Ronson Development SPV3 sp. z o.o. ("SPV3") demanded payment of damages in the amount of PLN 25 000 000 (twenty-five million zlotys) or delivery of a statement by the mortgagor (being an entity related to the seller) on the expiry of the claim secured by the contractual mortgage together with its consent to the removal of the said mortgage from the land and mortgage register. On 26 June 2023, the defendant company filed an application for the removal of the mortgage from the land and mortgage register which was rejected by court on 28 September 2023 due to in appropriate documentation submitted.

The demands for payment also included calls for payment of contractual or statutory interest for late payment or reservation of the right to pursue payment of these amounts, together with court and enforcement costs, in court proceedings and information on the possibility of using the collateral established in the event of non-payment by the set deadline.

Notes to the Consolidated Financial Statements

Note 30 - Commitments and contingencies

Litigations

Matters relating to the acquisition of certain real estate

In connection with the non-payment of the above amounts, these companies proceeded to pursue their claims through court proceedings (on the basis of enforcement titles obtained) and enforcement proceedings:

- 11 enforcement proceedings were initiated, in the course of which the debtors' bank accounts, receivables due to them from other entities, as well as real estate or shares in co-ownership of real estate were seized; in four of the proceedings in question, minutes of description and assessment of the seized real estate were drawn up in the period from 23 May to 13 July 2023 and one minutes of description and assessment of the seized real estate was drawn up on 3 November 2023, and in addition, in two enforcement proceedings on 14 September 2023, applications were filed for the sale of the property by public auction. The envisaged settlement is the enforcement of the assets of the above companies. At this stage, the bank accounts of the above companies, their receivables from other entities, as well as real estate and shares in co-ownership of real estate, have been seized. At this point, it is too early to assess the projected amount of recoveries;
- on 21 February 2023. Projekt 4 filed a lawsuit for payment of the amount of PLN 861 000, being the equivalent of the unsettled part of the deposit paid under the concluded preliminary agreement;
- on 24 April 2023. SPV3 filed a statement of claim for reconciliation of the land and mortgage register maintained for the property located at Al. Komisja Edukacji Narodowej with the actual legal status. On 26 June 2023, the defendant company filed an application for the removal of the mortgage from the land and mortgage register which was rejected by court on 28 September 2023 due to in appropriate documentation submitted;
- on 22 December 2023 SPV4 filed a lawsuit for payment of PLN 1,636,099 (in words: one million six hundred and thirty-six thousand and ninety-nine zlotys) with statutory interest for delay, in relation to a claim for repayment of a loan, against the sole member of the management board of several companies against which Group companies are in foreclosure or litigation. On 4 January 2024, an order for payment by writ of payment was issued for the amount of PLN 1,636,099.00 with default interest from 1 March 2022 to the date of payment and the amount of PLN 89,022.00 as reimbursement of legal costs. If an objection is lodged, the issued order will become null and void and the proceedings will be conducted in the ordinary course.

Based on current status of the proceedings and best estimation of the management board, Group recognized write off in amount of PLN 2.6 million and estimated that rest of the Group's assets are recoverable.

Note 31 - 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.

The main related parties' transactions arise on:

- agreement with the major shareholder;
- transactions with key management personnel;
- loans granted to related parties;
- other.

Outstanding balances with related parties as at 31 December 2023 and as at 31 December 2022 are unsecured and settlement is made in the ordinary course of business 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.

Notes to the Consolidated Financial Statements

Note 31 - Related parties

Agreement with the major shareholder

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 2023 and 2022 the agreement was continued and the total amount of expenses incurred amounted PLN 922 thousand and PLN 900 thousand, respectively.

Transactions with key management personnel

During the year ended 31 December 2023 and the year ended 31 December 2022, key management personnel of the Company included the following members of the Management Board:

Boaz Haim	- President of the Management Board
Yaron Shama	- Finance Vice-President of the Management Board
Andrzej Gutowski	- Sales Vice-President of the Management Board
Karolina Bronszewska	- Member of the Management Board for Marketing and Innovation

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 *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Salary and other short time benefit	379	337
Management bonus	50	25
Other (1)	36	40
Subtotal - Mrs Karolina Bronszewska	**465**	**402**
Salary and other short time benefit	372	372
Management bonus	95	95
Other(2)	214	213
Subtotal - Mr Yaron Shama	**681**	**680**
Salary and other short time benefit	300	365
Incentive plan linked to financial results	475	171
Other(2)	305	104
Subtotal - Mr Andrzej Gutowski	**1 079**	**641**
Salary and other short time benefit	1 965	1 318
Management bonus	736	760
Share based payment	1 571	-
Other(1)	1 231	1 131
Subtotal - Mr Boaz Haim	**5 503**	**3 209**
Total	**7 728**	**4 931**

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

Loans to directors

As at 31 December 2023 and 31 December 2022, there were no loans granted to members of the Management Board.

Notes to the Consolidated Financial Statements

Note 31 - Related parties

Other transactions with directors and management personnel

During the year ended 31 December 2023 the Group sold one Apartment and one parking place to Mr Boaz Haim for a total net amount (excluding VAT) of PLN 306.2 thousand. In addition, the Group sold one apartment to the company owned by Andrzej Gutowski for a total net amount (excluding VAT) of PLN 268.5 thousand and one apartment to Mrs Karolina Bronszewska for the total net amount (excluding VAT) of PLN 364.4 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

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Mr Ofer Kadouri *(first appointment: 1 March 2017)*	58	56
Mr Alon Kadouri *(first appointment: 1 March 2017)*	58	53
Mr Shmuel Rofe *(first appointment: 20 November 2017, end of term 7 July 2022)*	-	17
Mr Piotr Palenik *(first appointment: 30 June 2017, end of term 7 July 2022)*	-	14
Mr Przemysław Kowalczyk *(first appointment: 30 June 2011, end of term 7 July 2022)*	-	17
Total	**116**	**157**

The Supervisory Board Members are entitled to a quarterly fee of EUR 2,225 plus an amount of EUR 1,500 per personal attendance in the Supervisory Board meeting (EUR 750 if attendance is by using means of direct remote communication). The total amount due in respect of Supervisory Board fees during 2023 and 2022 amounted to PLN 116.0 thousand (EUR 25.5 thousand) and PLN 157 thousand (EUR 33.5 thousand), respectively. In addition, the Company paid social security contributions at the amount of PLN 19.3 thousand in the year ended 31 December 2023.

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 were 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.

Share based payment

On November 28, 2022, Luzon Group announced a private issuance of options for shares of Amos Luzon Development and Energy Group Ltd. ("Options"). According to the allocation, Mr. Boaz Haim received 9,817,868 Options. Options were allotted free of charge. Each Option entitles to one ordinary share of Luzon Group of NIS 0.01 par value, for an exercise price of 2 NIS (which however will be settled on a net basis, i.e. final number of received shares will be decreased by a number of shares which market value is equal to full exercise price to be paid).
Mr Haim will be entitled to exercise the Options as follows:

(i) after 24 months from the allotment date - up to 40% of allocated Options
(ii) after 36 months from the allotment date - up to 20% of allocated Options
(iii) after 48 months from the allotment date - up to 20% of allocated Options
(iv) after 60 months from the allotment date - up to 20% of allocated Options

The Options can be exercised until the end of 7 years from the date of their allocation. Options that were not exercised within the above-mentioned period, expire. Assuming all the Options are exercised, Mr. Haim will hold c.a. 2.38% of the issued and paid-up capital of Luzon Group and about 1.89% of the issued and paid-up capital of Luzon Group on a full dilution basis. The Option program envisages adjustments in options for share allocation in case of various corporate events in Luzon Group (such as the issuance of shares or other options, merger, dividend distribution, etc.). First impact of the program was recognized in year 2023 and amounted to PLN 1.6m. Program is accounted under IFRS 2 standard as a personal expense, part of administrative costs and Share based payment reserve in equity. Total value of the program as of grant date amounted to PLN 4.7 million.

Liability to shareholder measured at amortised cost

As of 31 December 2023, Group has liability measured in amortised cost to ultimate shareholder (Amos Luzon Development and Energy Group Ltd.) in amount of PLN 25.6 million and cost in profit and loss, during the year 2023, in amount of PLN 1.5 million. – for additional information please refer to Note 25.

Notes to the Consolidated Financial Statements

Note 31 - Related parties

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. 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.
The description regarding private issuance of options for shares of Luzon Group is described in the Note 36.

Note 32 - Financial risk management, objectives and policies

The Group's activities expose it to a variety of risks: Global risks (among them are the ongoing War Conflict and Euro Zone Market slowdown), market risk (including currency risk, price risk, interest rate risk and inflation risk), credit risk, liquidity risk and others. 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 updates 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 has been throughout the year ended 31 December 2022 and continued in the period ended 31 December 2023, 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, financial instruments measured through FVPL, shareholders loans, 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.

In terms of risks specific for the sector, in which the Group operates, there is a potential increase in construction costs, a significant increase in interest rates, the challenge of securing lands for reasonable prices a prolongation of administrative procedures as well as an increasing competition in the market are considered to be the most significant uncertainties for the financial period ending 31 December 2023 which all of them and /or each of them separately can lead to the significant negative impact on the margins of new or ongoing phases and projects.

Global Risks - Effect of the War Conflict and market changes on the polish economy and real estate industry

In 2022, the global economy was weakened by trade disruptions in the areas of food and fuel prices as a result of the ongoing war in Ukraine. In the second half of 2022, activity in the euro area deteriorated due to disrupted supply chains, increased financial stress and a decline in consumer and business index confidence.

According to a recent publications by the main Statistic office for Poland (GUS), Poland's economic growth in 2023 was 0.2% which is close to the 27 EU countries, as the ongoing war in Ukraine has dimmed the prospects for a post-pandemic recovery in Europe. A rebound is expected next year. Poland's economic growth in 2024 should oscillate around 2.3 %, while in the EU the Commission optimistically forecasts 1.3 %.

After a slowdown in 2023, economic growth is set to pick up in 2024 and 2025 supported by a rebound in private consumption, continued expansion of investment, and well performing exports. Inflation is set to recede from 2023 onwards, but phasing out of anti-inflation measures and strong wage growth are projected to result in a gradual decline. Public expenditure is forecast to remain high due to planned investments in defense and social spending, slowing down the rebalancing of the general government budget.

In 2022, the war in Ukraine was a key factor affecting the Polish economy. It caused an increase in inflation particularly related to increases in energy and food prices. The level of Polish inflation in the reported period was in top high countries in the European Union with a level of 6.2% increase comparing to last year.

In an effort to stem rising inflation, the Monetary Policy Council of the National Bank of Poland (NBP) in September 2022 raised benchmark interest rates (Wibor) for the eleventh time in a row, resulting in a huge increase in loan instalments for borrowers and consequently worsening the situation of many households.

Notes to the Consolidated Financial Statements

Note 32 - Financial risk management, objectives and policies

Global Risks - Effect of the War Conflict and market changes on the polish economy and real estate industry

A raise in interest rates has had negative consequences for the Group in the form of higher interest expenses on the debt held - financial costs for the year ended 31.12.2023 amounted to PLN 13.9 million, as compared to PLN 8.4 million in (including costs capitalized in stock) for the year ended 31.12.2022.

In 2022 the creditworthiness of Poles has also decreased and, consequently, the number of new loans taken out has fallen. This caused a significant slowdown in the real estate market. At the same time, in terms of the residential market, the Company noted a significant trend of cash buyers outnumbering those using mortgages, resulting in a significant decline in the number of units sold observed from the beginning of 2022.

The annual performance of residential sales in the polish markets was significantly better than sales in 2022, comparable even to a period of prosperity in the residential market.

The number of subsidized loans granted nationwide to first-time homebuyers nearly doubled the original target. The lack of clear announcements about the continuation of the program before the end of the year has only increased demand. In addition, as early as the beginning of 2023, the Polish Financial Supervision Authority loosened the prudential buffer from 5 percentage points to 2.5 percentage points, which significantly improved the creditworthiness of Poles. Commercial interest rate loans continued to be expensive, but such a change certainly had an impact on the increase in sales performance.

The Group has observed the above situation and prepared it offers accordingly in order to answer the increase demand taking under consideration the risk involved in entering to agreements with clients which participate in the program but not exposing the Group to significant risk as a result of it.

In spite the on-going armed conflict between Ukraine and Russia the polish market did not suffer any negative impact and the performance comparing to 2022 was significantly better.

The marked improvement in the availability of mortgages resulted in the number of granted loans (nationwide) increasing to around 10,000 agreements in March 2023 and staying at this level (10,000-11,000) until July. The real increase took place in the later months of the year when loan agreements under the Safe Credit ("BK2") program were already being signed - the number of loans issued rose to a level of about 24,000 agreements per month (in October and November). Thus, the share of buyers purchasing apartments with mortgages was growing, although cash was still important for the market in large cities, where investment buyers were also active.

Significance of the above risk factor is assessed by the Company as high because its occurrence had a significant impact on business activity and financial situation of the Company and may have such negative impact in the future. The Company estimates the probability of occurrence of this risk as high. A similar situation with an armed conflict did not occur in the past, or the scale of the impact of other armed conflicts did not have a significant influence on the operations of the Company and its Group.

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 that 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

Entities within the Group are exposed to foreign exchange risk in relation to receivables, payables and financial instrument measured trough profit and loss denominated in currencies other than the Polish zloty.
The Group does not hedge its investments or liabilities in foreign operations.
The Group's functional currency is polish zloty, as at 31 December 2023 the group has a monetary liabilities to the shareholder measured at amortized costs evaluated in the amount of 25.6 million PLN (2022: PLN 70.5 million), measured in previous period at fair value through profit or loss which is evaluated every reporting period by independent valuator). For more information see Note 25.

Notes to the Consolidated Financial Statements

Note 32 - Financial risk management, objectives and policies

Market risk

(i) Foreign currency risk

As at 31st December 2023, if the Israeli ILS had weakened or strength by 5% against the Polish zloty with all other variables held constant, the profit/Loss attributable to shareholders of the Group would have been PLN 1.3 million (as at 31 December 2022: 3.5 million) higher/lower, arising from foreign exchange gains/Loss taken to the profit and loss account on translation. The sensitivity analysis ignores any offsetting foreign exchange factors and has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date. There are no other significant monetary balances held by Group entities at 31st December 2023 that are denominated in a non-functional currency and have material effect on the Group results.

During the year 2023 the polish zloty was increased its value against the Israeli ILS by 14.2% (2022: value increase by 4.7%)

(ii) Interest rate risk

The vast majority of loans and bonds (including under issued bonds) obtained by the Group bear interest at a floating rate based on WIBOR plus a margin. As of December 31, 2023, the WIBOR6M was 5.82% (as of December 31, 2022, it was 7.14%). The Company's bonds are based on WIBOR6M plus a margin, while bank loans are based on WIBOR3M or WIBOR1M plus a margin. Changes in the WIBOR rate will have a significant impact on the Group's cash flow and profitability.

The table below presents the sensitivity analysis and its impact on net assets and income statement assuming if the variable interest rate changes by 1% assuming that all other variables remain unchanged:

	31 December 2023		31 December 2022	
In thousands of Polish Zlotys (PLN)	**Increase by 1%**	**Decrease by 1%**	**Increase by 1%**	**Decrease by 1%**
Income statement				
Variable interest rate assets	1 682	(1 682)	38	(38)
Variable interest rate liabilities	(2 437)	2 437	(2 197)	2 197
Total	**(755)**	**755**	**(2 159)**	**2 159**
Net assets				
Variable interest rate assets	1 682	(1 682)	38	(38)
Variable interest rate liabilities	(2 437)	2 437	(2 197)	2 197
Total	**(755)**	**755**	**(2 159)**	**2 159**

The Group did not use any hedging instruments to mitigate the interest risk as the interest rates in Poland were very low for a long time and the Group was benefiting from low floating rates. Due to the last year high inflation, the floating rates increased considerably exposing the Group for high interest rates. The Group considered hedging instruments but at this stage, there was no benefit for doing so as costs of hedging together with the caped interests were similar to the floating rates the Group will pay.

The National Benchmark Reform Working Group (NGR), established by the Polish Financial Supervision Authority, is working on the implementation of a new RFR-type reference index - WIRON (Warsaw interest Rate Overnight), which will replace WIBOR and WIBID. The Roadmap published by NGR explains that the change is taking place under the BMR Regulation as part of the IBOR reform. Completion of the reform is planned by the end of 2027, while the implementation by market participants of a new offer of financial products using the WIRON index is planned for 2023 and 2024. On the 25 October 2023 the Steering Committee of the National Working Group on the reform of benchmarks (KS NGR) decided

Notes to the Consolidated Financial Statements

Note 32 - Financial risk management, objectives and policies

Market risk

(ii) Interest rate risk

Interest rate risk and liquidity risk analysed

to change the maximum deadlines for the implementation of the Road Map, which assumes a bottom-up departure from the use of the WIBOR in favor of newly concluded contracts and financial instruments using a fixed interest rate or new RFR reference indicators. KS NGR therefore indicated the final moment of conversion at the end of 2027. At the same time neither the directions of the reform nor the scopes of the activities planned so far in the Road Map change. The Steering Committee of NGR will monitor the implementation of key elements of the Road Map in order to ensure optimal conditions for the development of the financial market in Poland.

The postponement of the deadline for the completion of the reform will provide adequate time to build the conditions for the popularization and dissemination of the use of RFR reference indicators in financial contracts and instruments, taking into account operational, technical, communication and legal issues, which will be the basis for the development of the market and increasing the resilience of the domestic financial market

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 2023					
In thousands of Polish Zlotys (PLN)	***Note***	**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*	3.99%	**167 020**	167 020	-	-	-	-
Other current financial assets	*19*	0,00%	**12 809**	12 809	-	-	-	-
Liability to shareholders measured at amortised costs	*14*	3.00%	**(25 593)**		(6 074)	(19 519)		
Variable rate instruments								
Cash and cash equivalents	*20*	0,00%	**36 840**	36 840				
Secured bank loans	*23*	Wibor 3M + 2.70% - 3.00%	**(8 815)**	(8 815)	-	-	-	-
Floating rate bonds	*23*	Wibor 6M + 4.00%-4.30%	**(225 320)**	(66 644)	(40 000)	(59 395)	(59 280)	-
Interest bearing deferred trade payables		Wibor 6M	**(9 538)**	(9 538)	-	-	-	-
Loans granted to joint ventures	*14*	Wibor 6M + 3.20%	**145**	-	-	145	-	-

			As at 31 December 2022					
In thousands of Polish Zlotys (PLN)	***Note***	**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*	0.00%	**47 552**	47 552	-	-	-	-
Other current financial assets	*19*	0,00%	**11 217**	11 217	-	-	-	-
Loans granted to joint ventures	*14*	5.00%	**133**	-	133			
Loans granted to others		6.00%	**1 717**		1 717	-	-	-
Variable rate instruments								
Cash and cash equivalents	*20*	0,00%	**3 633**	3 633	-	-	-	-
Secured bank loans	*23*	Wibor 3M + 2.20% - 3.00%	**(16 297)**	**-**	(16 297)	-	-	-
Floating rate bonds	*23*	Wibor 6M + 4.00%-4.30%	**(203 370)**	(5 260)	(40 000)	(99 183)	(58 927)	-

Notes to the Consolidated Financial Statements

Note 32 - Financial risk management, objectives and policies

Market risk

(iii) Price risk

The Group's exposure to marketable and non-marketable securities price risk does not exists because the Group has not invested in securities as at 31 December 2023 and as at 31 December 2022.

(iv) Inflation risk

At the beginning of 2023, prices of energy and agricultural commodities were high, significantly exceeding their levels seen since last year. Inflation increased by 6.2% in year 2023 comparing to an increase of 16.6% In the year 2022.

According to the Statistical office of Poland (GUS) consumer prices index in December 2023, stood on 6.2% compared with the corresponding month of the previous year, and comparing to the inflation rate of 8.2% at the end of the third quarter of 2023.

This marked the lowest reading since September 2021, as prices moderated mainly for food & non-alcoholic beverages (6% vs 7.3% in November), clothing & footwear (3.3% vs 4.7%), recreation & culture (5.5% vs 6.5%), and restaurants & hotels (9.9% vs 10.3%). Additionally, transport costs dropped further (-2.8% vs -2.2%). On the other hand, inflation accelerated for housing & utilities (9.2% vs 8.1%), while it remained steady for communication (at 6.7%). On a monthly basis, consumer prices rose by 0.1% in December.

The inflation growth and with it the interbank interest growth affects 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 reduction of the demand from individual clients;
- risk of increase in construction costs, related to problems of manufacturing, energy and transportation;
- risk in delay or withholding of starting new projects due to high costs.

Despite the above, in the period ended on 31 December 2023, there was an increase in sales in the six largest cities by 128% comparing to year 2022.

The increase in sales is mainly due to a concern by apartment buyers for potential increase in sale prices of apartments mainly due to increase of demand of buyers applying the 2% Safe Mortgage Program (BK2) initiated by the government starting from July 2023.

Additionally, the increase of credit demand due to slight decrease in the banks prudential buffer from 5% to 2.5% for loans with periodically fixed rates as well as taking advantage of the opportunity to expand individual investors portfolio of apartments before the entry of new regulations limiting the purchase of more units.

The Management Board understand that the inflation process and its stabilization is a long process that may take significant efforts and time and is continuing 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. The significance of the above risk factor is assessed by the Company as high, because its occurrence can have a significant, negative impact on business activity and financial situation of the Company and may have such negative impact in the future. The Company estimates the probability of occurrence of this risk as high.

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, bond loans, financing from external investors (SAFE agreement) and shareholder loans for more information regarding the SAFE agreement please see Note 25.

Notes to the Consolidated Financial Statements

Note 32 - Financial risk management, objectives and policies

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 2023				
In thousands of Polish Zlotys (PLN)	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years	Total
Bond loans (principal only)	99 834	59 396	59 280	-	218 510
Interests on bond loans	20 178	7 616	3 031	-	30 825
Secured bank loans	8 815	-	-	-	8 815
Lease liabilities related to perpetual usufruct of land and investment property	1 628	1 628	4 883	28 599	36 738
Interest bearing deferred trade payables	9 538	-	-	-	9 538
Trade and other payables	89 761	-	-	-	89 761
Liability to shareholders measured at amortised costs	6 322	22 410	-	-	28 732
Total	**236 077**	**91 050**	**67 194**	**28 599**	**422 919**

	Year ended 31 December 2022				
In thousands of Polish Zlotys (PLN)	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years	Total
Bond loans (principal only)	40 000	98 881	59 531	-	198 412
Interests on bond loans	14 297	14 736	3 396	-	32 429
Secured bank loans	16 297	-	-	-	16 297
Lease liabilities related to perpetual usufruct of land and investment property	1 174	1 174	3 521	12 116	17 985
Trade and other payables	74 074	-	-	-	74 074
Liability SAFE	70 506	-	-	-	70 506
Total	**216 348**	**114 790**	**66 449**	**12 117**	**409 703**

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 has no information that any counter parties will fail in meeting their obligations. The carrying amounts of the financial assets represent the maximum credit risk exposure.

Notes to the Consolidated Financial Statements

Note 32 - Financial risk management, objectives and policies

Credit risk

The maximum exposure to credit risk as at 31 December 2023 and as at 31 December 2022 was as follows:

As at 31 December *In thousands of Polish Zloty (PLN)*	**2023**	**2022**
Trade and other receivables	14 361	15 254
Loans granted to third parties	-	1 717
Loans granted to joint ventures	145	133
Cash and cash equivalents	203 860	51 185
Other current financial assets	12 809	11 217
Total	**231 175**	**79 506**

The Group places its cash and cash equivalents and other current financial assets in financial institutions with high credit ratings. Management has no information that any counterparty will 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.

(i) Cash and cash equivalents

In thousands of Polish Zloty (PLN) **Rating**	**As at 31 December 2023**	**As at 31 December 2022**
A	164 095	21 446
BBB	30 671	7 343
BB	9 094	22 396
Total cash at banks and short-term bank deposits	**203 860**	**51 185**

(ii) Other current financial assets

In thousands of Polish Zloty (PLN) **Rating**	**As at 31 December 2023**	**As at 31 December 2022**
A	2 004	6 226
BBB	9 518	4 875
BB	1 287	116
Total other current financial assets	**12 809**	**11 217**

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.

Legislation and administrative risk

(i) 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. All the above factors may affect the ability to conduct and complete its executed and planned projects.

Notes to the Consolidated Financial Statements

Note 32 - Financial risk management, objectives and policies

Legislation and administrative risk

(ii) Legislation

During the year 2023 several changes in the polish legislation in particularly: contemplated deletion of open escrow accounts as well as introduction of compulsory contributions to the developer guarantee fund starting from 1 July 2022, the new construction law and the new local regulations related to road and infrastructure participation costs, 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 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, its 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.

The Polish legislation environment is characterized in frequent amendments, incoherence, lack of unified interpretation of legislation and tax legislations which are subject to frequent changes all which is contributing to the risk's factors in which the Company and the Group operate.

Changes accrued during the reporting period or after the reporting date:

On 7 July 2023, an amendment to the Law on Planning and Spatial Development was enacted, revolutionizing the Polish legal order in this area.

Among the most important changes introduced to the Act, one should point out:

- resignation from the study of spatial development conditions and directions in favor of a general plan, which will cover the area of the entire municipality and will be an act of local law,
- establishment of new rules for issuing decisions on development conditions,
- repealing as of 31 December 2025 the so-called lex developer and introducing a new planning tool in the form of integrated investment plans, and
- the issuing of a decision on development conditions will only be possible for land lying within the development supplement area designated in the general plan.

The existing local plans will remain in force until the date of entry into force of the new plans and can be amended on the basis of the new regulations. At the same time, in principle, the adoption of new local plans will be suspended until the general plan is adopted. If the general plan has not been adopted by 31 December 2025, it will not be possible to obtain a zoning decision from 1 January 2026 until the general plan of the municipality has been adopted. Investments will only be possible on the basis of decisions that have been issued previously or on the basis of existing local plans.

In the opinion of the Company, it should be assumed that the entry into force of the above-mentioned of the provisions will significantly extend the waiting time for the issuance of a decision on development conditions, and after December 31, 2025, it will not be possible to implement the investment on real estate located in an area not covered by either the local plan or the general plan.

Construction cost risk and nonperformance by General contractors

The Group's activities expose it to a variety of construction costs risks such as row material cost increase, shortage of qualified workforce, increase in labour costs and delay in obtaining the necessary permits to start construction.
The construction costs have significantly risen within the last two years, reaching its peak in the second half of 2022. There is a high risk that the construction costs may still rise in 2024. The increase so far has been mainly due to rising prices of construction materials and energy, which has translated directly and indirectly into production costs, in addition to the continuation of the Russian-Ukrainian conflict causing energy prices to rise across Europe and shortages of construction workers.
The Company and the Group do not conduct construction business, however, for each project an agreement with an external general contractor is concluded. The general contractor is responsible for the construction works and completion of the project, including obtaining all permits necessary for safe use of the residential units.

Notes to the Consolidated Financial Statements

Note 32 - Financial risk management, objectives and policies

Construction cost risk and nonperformance by General contractors

The risk related to improper performance of the agreement by the general contractor may cause delays in the project or have a significant impact on the Company's and Group's operations, financial conditions, or results. The Company sees potential sources of improper performance of the obligations by the general contractor in a lack of access to qualified workforce, increase in salaries/wages, costs of construction materials and increase in energy prices.

Improper performance of the agreement may result in claims against the general contractor, and the general contractor may not be able to satisfy the claims of the Company and Group. An important criterion in selecting a general contractor is its experience, professionalism and financial situation (including bank or insurance guarantees), as well as the quality of the insurance policy to cover all risks associated with the construction process.

Significance of the above risk factor is assessed by the Company as high, because its occurrence has had a significant, negative impact on business activity and financial situation of the Company and may have such negative impact in the future. The Company estimates the probability of occurrence of this risk as high.

Risk related to financing of the Group's operations

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 favorable 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 favorable conditions.

Significance of the above risk factor is defined by the Company as medium, because in the event of its occurrence, the scale of the negative impact on business activity and financial situation of the Company could be significant. The Company estimates the probability of occurrence of this risk as medium.

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 2022 and the first half of 2023, access to mortgages has decreased significantly mainly due to high interest rates and the KNF's tightening of rules for calculating creditworthiness.

A sharp increase in interest rates, particularly, banks internal rates has impacted and will impact, significantly, big portion of mortgage users to be eligible for residential mortgage financing. As well as, in most cases, due to creditworthy of individuals led and will lead to the decrease of the availability of mortgages.

During the second half of 2023 following the lunching of the government plan for 2% mortgage loans the availability of mortgages increased dramatically and contributed positively to units sales in general with an increase of 64.8% YoY.

Significance of the above risk factor is assessed by the Company as high because its occurrence in the past had a significant negative impact on business activity and financial situation of the Company and may have such negative impact in the future. The Company estimates the probability of occurrence of this risk as high.

Notes to the Consolidated Financial Statements

Note 32 - Financial risk management, objectives and policies

Risk related to the development of PRS Business inf the Group's structures

At the end of 2021, the Group decided to start its business activities in the Private Rented Sector – PRS. This segment has been identified as a promising and complementary one for the Group's residential business. Despite many years of business experience in the housing market, starting business in a new segment involves a number of financial, legal and image risks (including an increase in capital commitment, an increase in the level of debt, a reduction in flexibility in responding to market signals, a reduction in the competitiveness of a given company, the risk of underperformance compared to predictions, the risk of negative PR) that may arise during its operation. Despite analyses conducted in advance confirming the profitability of investments, the results of such projects may differ from the original assumptions and may adversely affect the Company's operations and financial position.

As at 31 December 2023, the carrying amount of land held for development in the PRS segment was PLN 83.2 million, representing approximately 7% of the Group's assets.

As the activities of the PRS segment are complementary to the Group's core business, the risk of lack of success in this segment will not significantly affect the Company's financial position. If there is no success in the rental area, the completed units will mostly be able to be sold by the Group on the market as ordinary flats.

The above risk factor has not materialized in the past. Significance of the above risk factor is assessed by the Company as low, because in the event of its occurrence, the negative impact on business activity and financial situation of the Company would not be significant. The Issuer assesses the probability of this risk as low.

Note 33 - 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 Group 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 Group is obliged to monitor its indebtedness according to the conditions of the bond issuance, which require, amongst others, that in each reporting period the Group 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 2023 and 31 December 2022 were as follows:

As at 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Loan and borrowings, including current portion	225 320	203 370
Secured bank loans	8 815	16 297
Financial liability measured at FVPL	-	70 506
Financial liability measured at amortised cost	25 593	-
IFRS 16 - Lease liabilities related to cars	489	363
Less: cash and cash equivalents	(203 860)	(51 185)
Less: cash on individual escrow accounts (other current financial assets)	(12 809)	(11 217)
Net debt	**43 548**	**228 134**
Total equity	533 672	451 396
Total capital employed	**577 220**	**679 530**
Gearing ratio	**8,2%**	**50,5%**
Leverage	**7,6%**	**33,6%**

Notes to the Consolidated Financial Statements

Note 33 - Capital management

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.

Note 34 - Cash flow reconciliation

Inventory and Residential land bank

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Balance sheet change in inventory	**(45 803)**	**(102 765)**
Finance expense, net capitalized into inventory	17 180	15 331
Impact of perpetual usefruct recognition	18 577	(358)
Purchase of land	16 000	88 538
Transfer from land designated for development	9 525	-
Transfer to land designated for development	(1 674)	-
Write-down of inventory	-	(482)
Other	(1 898)	(1 260)
Change in inventory in the consolidated Statement of Cash Flows	**11 908**	**(996)**

Trade and other receivables and prepayments

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Balance sheet change in trade and other receivables and prepayments	**12 081**	**(7 440)**
Impact of IFRS 16	1 820	174
Write-off of loans granted to others	1 717	-
Notary deposits transferred to inventory	-	(14 503)
Notary deposit transferred (to)/from advances for land	-	9 253
Bank charges	874	1 169
Change in Trade and other receivables and prepayments in the Consolidated Statement of Cash Flows	**16 492**	**(11 347)**

Trade and other accounts payable

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Balance sheet change in Trade and other accounts payable	**24 245**	**13 969**
Impact of IFRS 16	(1 780)	161
Other	-	(319)
Reclassification of Advances paid to purchase of land (not paid)	(1 100)	(23 588)
Change in Trade and other payables and accrued expenses in the Consolidated Statement of Cash Flows	**21 365**	**(9 777)**

Note 35 - Information about agreed-upon engagements of the Group's auditor

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

For the year ended 31 December *In thousands of Polish Zlotys (PLN)*	**2023**	**2022**
Audit and review remuneration for standalone and Consolidated Financial Statements	560	509
Other services	181	-
Reimbursed audit review costs [(1)]	(95)	(86)
Total remuneration for the expense of the Group	**646**	**423**

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

Notes to the Consolidated Financial Statements

Note 36 - Events during the financial year

Purchase of land

The below table presents signed final agreements for purchase of plots signed in the period ended 31 December 2023:

Location	Type of agreement	Signed date	Agreement net value (PLN million)	Paid net till 31 December 2023 (PLN million)	Number of units	Potential PUM
Warsaw, Ochota	final	11 Aug 2022, 2 Mar 2023	7,1	7,1	67	3 700
Warsaw, Bemowo	final	17 Oct 2023	16,0	16,0	113	4 491
Warsaw, Bielany [1]	final	28 Nov 2023	11,0	11,0	242	4 851
Total			**34,1**	**34,1**	**422**	**13 042**

1) The land designated for PRS activity

On March 2, 2023, the Group (through a subsidiary) signed a conditional agreement to purchase the right of perpetual usufruct of a plot of land located in Warsaw's Ochota district with an area of 0.25 hectares. The price of the property was set at PLN 7.1 million.

On October 17, the Company (through a subsidiary) signed an agreement to purchase a plot of land located in Warsaw's Bemowo district with an area of 0.30 ha. The price of the property was set at PLN 16.0 million.

On November 28, 2023, the Company (through a subsidiary) signed an agreement to purchase a plot of land located in Warsaw's Bielany district with an area of 0.27 hectares. The price of the property was set at PLN 11.0 million.

The below table presents signed preliminary agreements for purchase of plots signed until 31 December 2023 including advances paid:

Location	Type of agreement	Signed date	Agreement net value (PLN million)	Paid net till 31 December 2023 (PLN million)	Number of units	Potential PUM
Warsaw, Białołęka	preliminary	23 Nov 2020	1.5	1.5	n/a	n/a
Warsaw, Ursus	preliminary	17 Jan 2021	140.0	16.1	1 860	85 000
Total			**141.5**	**17.6**	**1 860**	**85 000**

Completions of projects

The table below presents projects which have been completed in the year ended 31 December 2023 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)
Miasto Moje VI	Warsaw	7 February 2023	227	11 722
Ursus IIB	Warsaw	30 March 2023	206	11 758
Nowe Warzymice IV	Szczecin	28 April 2023	75	3 818
Viva Jagodno IIb	Wrocław	11 May 2023	152	8 876
Grunwaldzka	Poznań	19 May 2023	70	3 351
Ursus IIC	Warsaw	17 August 2023	223	11 124
Eko Falenty I	Warsaw	16 October 2023	42	4 304
Total			**995**	**54 953**

Conclusion of a material agreement for General contractors

Project name	Location	Number of units	General contractor	Agreement signing date	Agreement net value (PLN million)	Additional provisions
Miasto Moje VII	Warsaw	255	Hochtief Polska Sp. z o.o.	1 March 2023	70.4	None
Nova Królikarnia 4b1	Warsaw	11	Totalbud S.A.	10 March 2023	17.4	None
Ursus IIE	Warsaw	291	TechBau Budownictwo Sp. z o.o.	10 March 2023	96.9	None
Total		**557**			**184.7**	

Notes to the Consolidated Financial Statements

Note 36 - Events during the financial year

Building permits

Project name	Location	Building permit date	Number of units	Area of units (m^2)
Miasto Moje VIII	Warsaw	20 January 2023	147	7 687
Zielono Mi I-II	Warsaw	18 October 2023	198	10 650
Total			**345**	**18 337**

Bonds issuance

On 3 July 2023, the Company issued 60,000 series X bonds with a total value of PLN 60,000 thousand. The nominal value of one bond is PLN 1,000 and is equal to its issue value.

The redemption date of series X bonds is 3 July 2026. The interest rate on series X bonds consists of 6-month WIBOR plus a margin of 4.2%. Interest is payable semi-annually, in January and July, until the maturity date.
Series X bonds are secured by a joint mortgage up to the amount of PLN 90,000 thousand rounded, established on following real estate owned by the Company's subsidiaries:

Project Name	Plot no./ unit no	Area of the plot/units (sqm)	Value (PLN thousands)
Marynin / Zaborowska (Ronson Development SPV7)	81, 80/4, 79, 76, 82, 83	6 289	31 656
Dudka (Ronson Development - Projekt 5)	90, 92, 94, 96, 98, 100, 102, 103, 104 115, 126, 127/1, 127/2, 88	64 403	40 373
KEN 57 Ronson headquarters (Ronson Development South)	4, U8, 45, 47, 47/A, 82, 117, 120, 1	953	11 232
Gwiaździsta Office building (Ronson Development Horizon)	1/7	1 423	7 400
Total			**90 661**

The value of security of the series X bonds, until the redemption date, may not be lower than PLN 75,000 thousand.

Approval of Base Prospectus for Bonds issuance

On July 25, 2023, the Polish Financial Supervision Authority approved the base prospectus of the Company's Public Bond Issue Program prepared in connection with the public offering of bearer bonds with a total nominal value not exceeding PLN 175 000 000 (in words: one hundred and seventy-five million zlotys).

Note 37 – Subsequent events

Building permits

Project name	Location	Building permit date	Number of units	Area of units (m^2)
Nowa Północ II-III	Szczecin	1 February 2024	340	16 632
Total			**340**	**16 632**

Conclusion of a material agreement for General contractors

Project name	Location	Number of units	General contractor	Agreement signing date	Agreement net value *(PLN million)*	Additional provisions
Viva Jagodno III	Wrocław	58	Przedsiębiorstwo Budowlane ARKOP Sp. z o.o. Sp. k.	12 January 2024	20.6	None
Zielono Mi I	Warsaw	92	Hochtief Sp z o.o.	15 January 2024	32.5	None
Nowe Warzymice V.1	Szczecin	12	KMJ Deweloper Sp. z o.o.	14 February 2024	4.8	None
Total		**189**			**57.9**	

Notes to the Consolidated Financial Statements

Note 37 – Subsequent events

Construction Bank Loan agreements

On 11th of June 2023 financing of Ursus Centralny 2E and Miasto Moje VII was signed, respectively for a total value of PLN 121,400 thousand and 77,900 thousand. 11 January 2024 is the date on which all financing formalities were completed, i.e., both loan and collateral agreements were signed by that date.

Bonds issuance

On January 19, 2024, the Company's Management Board adopted a resolution on the issuance of Series P2023A bonds and approval of the final terms and conditions for the issuance of Series P2023A bonds (the "Bonds") issued under the Public Bond Issuance Program (the "Program") covered by the base prospectus approved by the Financial Supervisory Commission on July 25, 2023. The subscription for the Bonds began on January 24, 2024 and ended on February 7, 2024. The Bonds were offered through a public offering, in which up to 60,000 unsecured Bonds with a par value of PLN 1,000 each were offered. The Bonds were offered at a fixed issue price equal to the par value of PLN 1,000.

The Bonds were conditionally allotted by the Management Board on February 12, 2024. The final (unconditional) allotment of Bonds was made on February 15, 2024, with an average reduction rate of 61.26%. As a result of the Offering, a total of 60,000 (sixty thousand) Bonds with a total nominal value of PLN 60,000,000.00 (sixty million zlotys) were allocated. Subscriptions for the Bonds were submitted by 1,226 persons (entities). The Bonds were allocated to 1,074 persons (entities). The Bonds were subscribed for cash contributions only.

The Bonds are not in documentary form and are dematerialized. The Bonds are traded in the alternative trading system operated by the Warsaw Stock Exchange - as part of the Catalyst market.

The interest rate on the Bonds is variable and will be set at six-month WIBOR (WIBOR 6M) plus a fixed margin of 3.85%. Subject to early redemption, the maturity date of the Bonds has been set for August 15, 2027.

On February 7 2024 the Company acquired for cancellation 14,859 Series V bonds with a nominal value of PLN 1.000 PLN each and a total nominal value of PLN 14,859 thousands issued pursuant to the resolution of the Company's Management Board of 14 September 2020, designated by the Krajowy Depozyt Papierów Wartościowych S.A. (“KDPW") with ISIN code: PLRNSER00201 ("Bonds"). The total value of the acquisition of the Bonds was PLN 9,246 thousands and the average unit purchase price was PLN 622.24 including accrued interest. The Bonds were acquired by means of agreements concluded outside organised trading. The holders of the redeemed Series V bonds became bondholders of the newly issued Series P2023A bonds. The redemption of Bonds took place on 8 March 2024 (date of the operation of withdrawal from the deposit by KDPW). After the redemption, there remained 45,141 Series V Bonds with a maturity date of 2 April 2024.

Establishment of a pledge on the Company's shares

To secure claims from the issuance of debt securities by the Company's shareholder, Luzon Ronson N.V. (formerly under the name of I.T.R. Dori B.V.) and from the trust agreement entered into on November 29, 2023, between Reznik Paz Nevo Trusts Ltd (a company incorporated and existing under Israeli law with its registered office in Tel Aviv) as trustee and pledge administrator (the "Pledgee") and Luzon Ronson N.V, vested in the holders of these securities and the Pledgee, on January 17, 2024, Luzon Ronson N.V., Luzon Ronson Properties Ltd. and the Company entered into agreements to establish a registered pledge in favor of the Pledgee on all of their shares in the Company's share capital. These pledges were established on January 23, 24 and 26, 2024 (the date of registration of the pledges in the pledge register), respectively.

In the case of the Company's own shares, the pledge was established based on the resolution of the Company's Extraordinary General Meeting of January 12, 2024 on consenting to the establishment of as registered pledge on the Company's own shares in favor of the Pledgee. Pursuant to the resolution in question, the pledge was established on 1,567,954 (in words: one million five hundred and sixty-seven thousand nine hundred and fifty-four) of the Company's own shares (which are bearer shares with a nominal value of EUR 0.02 each and a total nominal value of EUR 31,359.08, and which represent approximately 0.96% of the Company's share capital) up to the highest security amount of EUR 200,000,000 (in words: two hundred million euros). In addition, the Company has received information that analogous pledge agreements have been signed by shareholders under Israeli law.

The Management Board

Boaz Haim
President of the Management Board

Yaron Shama
Finance Vice-President of the Management Board

Andrzej Gutowski
Sales Vice-President of the Management Board

Karolina Bronszewska
Member of the Management Board
for Marketing and Innovation

Tomasz Kruczyński
Person responsible for
preparation of financial statement

Warsaw, 12 March 2024