GLOBE TRADE CENTRE S.A.

IFRS CONSOLIDATED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020
WITH THE INDEPENDENT AUDITOR'S REPORT

Globe Trade Centre S.A.
Consolidated Statement of Financial Position
as of 31 December 2020
(in thousands of Euro)

	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Investment property	17	2,125,128	2,247,030
Residential landbank	18	10,094	13,388
Property, plant and equipment	16	7,785	8,159
Blocked deposits	21	10,979	11,137
Deferred tax asset	15	616	-
Derivatives		-	265
Other non-current assets		159	109
		2,154,761	**2,280,088**
Loan granted to non-controlling interest partner	27	11,252	10,976
Total non-current assets		**2,166,013**	**2,291,064**
Assets held for sale	17,18	**1,580**	**-**
Current assets			
Accounts receivables		5,873	10,269
Accrued income		878	2,180
VAT receivable	26	2,343	3,296
Income tax receivable		1,036	1,079
Prepayments and deferred expenses		3,604	2,187
Short-term blocked deposits	21	27,434	33,031
Cash and cash equivalents	22	271,996	179,636
		313,164	**231,678**
TOTAL ASSETS		**2,480,757**	**2,522,742**

Globe Trade Centre S.A.
Consolidated Statement of Financial Position
as of 31 December 2020
(in thousands of Euro)

	Note	31 December 2020	31 December 2019
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	30	11,007	11,007
Share premium		550,522	550,522
Capital reserve	30,27	(49,489)	(43,098)
Hedge reserve		(11,930)	(4,994)
Foreign currency translation		(2,553)	943
Accumulated profit		460,053	530,242
		957,610	**1,044,622**
Non-controlling interest	27	16,538	14,040
Total Equity		**974,148**	**1,058,662**
Non-current liabilities			
Long-term portion of long-term borrowing	28	1,067,867	980,872
Deposits from tenants	24	10,979	11,137
Long term payable	25	2,524	2,648
Provision for share based payment	31	977	1,446
Lease liability	29	42,891	46,222
Derivatives	19	15,895	2,611
Provision for deferred tax liability	15	133,230	147,232
		1,274,363	**1,192,168**
Current liabilities			
Investment and trade payables and provisions	20	27,299	37,290
Deposits from tenants	24	1,790	1,605
Current portion of long-term borrowing	28	193,425	225,350
VAT and other taxes payable		1,551	1,817
Income tax payable		4,220	1,542
Derivatives	19	3,365	3,739
Current portion of lease liabilities	29	163	208
Advances received		433	361
		232,246	**271,912**
TOTAL EQUITY AND LIABILITIES		**2,480,757**	**2,522,742**

Globe Trade Centre S.A.
Consolidated Income Statement
for the year ended 31 December 2020
(in thousands of Euro)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Rental revenue	10,14	120,652	127,811
Service charge revenue	10,14	39,469	41,951
Service charge costs	14	(41,527)	(41,876)
Gross margin from operations		**118,594**	**127,886**
Selling expenses	11	(1,307)	(2,017)
Administration expenses	12	(11,712)	(14,410)
Profit from revaluation / impairment of assets	17	(142,721)	16,190
Other income		776	1,160
Other expenses	23	(1,622)	(1,932)
Profit/(loss) from continuing operations before tax and finance income / expense		**(37,992)**	**126,877**
Foreign exchange differences gain / (loss), net		(2,951)	(437)
Finance income	13	331	380
Finance cost	13	(35,244)	(34,634)
Profit/(loss) before tax		**(75,856)**	**92,186**
Taxation	15	4,995	(16,765)
Profit/(loss) for the year		**(70,861)**	**75,421**
Attributable to:			
Equity holders of the Company		(70,189)	74,825
Non-controlling interest	27	(672)	596
Basic earnings per share (in Euro)	32	(0.14)	0.15

Globe Trade Centre S.A.
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2020
(In thousands of Euro)

	Year ended 31 December 2020	Year ended 31 December 2019
Profit/(loss) for the period	**(70,861)**	**74,825**
Net other comprehensive income for the period, net of tax not to be reclassified to profit or loss in subsequent periods		
Gain (loss) on hedge transactions	(7,748)	(462)
Income tax	812	10
Net gain on hedge transactions	**(6,936)**	**(452)**
Foreign currency translation	(3,496)	(737)
Net other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods	**(10,432)**	**(1,189)**
Total comprehensive income/(loss) for the period, net of tax	**(81,293)**	**73,636**
Attributable to:		
Equity holders of the Company	(80,621)	73,040
Non-controlling interest	(672)	596

Globe Trade Centre S.A.
Consolidated Statement of Changes in Equity
for the year ended 31 December 2020
(In thousands of Euro)

	Share Capital	Share premium	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest	Total
Balance as of 1 January 2020	**11,007**	**550,522**	**(43,098)**	**(4,994)**	**943**	**530,242**	**1,044,622**	**14,040**	**1,058,662**
Other comprehensive income	-	-	-	(6,936)	(3,496)	-	(10,432)	-	(10,432)
Profit / (loss) for the year ended 31 December 2020	-	-	-	-	-	(70,189)	(70,189)	(672)	(70,861)
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**(6,936)**	**(3,496)**	**(70,189)**	**(80,621)**	**(672)**	**(81,293)**
Acquisition of non-controlling interest	-	-	(6,391)	-	-	-	(6,391)	3,590	(2,801)
Dividend distribution of non-controlling interest	-	-	-	-	-	-	-	(420)	(420)
Balance as of 31 December 2020	**11,007**	**550,522**	**(49,489)**	**(11,930)**	**(2,553)**	**460,053**	**957,610**	**16,538**	**974,148**

	Share Capital	Share premium	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest	Total
Balance as of 1 January 2019	**10,960**	**546,711**	**(36,054)**	**(4,542)**	**1,680**	**496,996**	**1,015,751**	**5,044**	**1,020,795**
Other comprehensive income	-	-	-	(452)	(737)		(1,189)		(1,189)
Profit / (loss) for the year ended 31 December 2019	-	-	-	-	-	74,825	74,825	596	75,421
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**(452)**	**(737)**	**74,825**	**73,636**	**596**	**74,232**
Acquisition of non-controlling interest	-	-	(7,044)	-	-	-	(7,044)	8,829	1,785
Dividend distribution of non-controlling interest	-	-	-	-	-	-	-	(429)	(429)
Distribution of dividend	47	3,811				(41,579)	(37,721)		(37,721)
Balance as of 31 December 2019	**11,007**	**550,522**	**(43,098)**	**(4,994)**	**943**	**530,242**	**1,044,622**	**14,040**	**1,058,662**

Globe Trade Centre S.A.
Consolidated Statement of Cash Flow
for the year ended 31 December 2020
(In thousands of Euro)

		Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit/(loss) before tax		(75,856)	92,186
Adjustments for:			
Loss/(profit) from revaluation/impairment of assets and residential projects		142,721	(16,190)
Foreign exchange differences loss/(gain), net		2,951	437
Finance income	13	(331)	(380)
Finance cost	13	35,244	34,634
Provision for share based payment loss/(profit)	12	(469)	(3,087)
Depreciation	16	654	660
Operating cash before working capital changes		**104,914**	**108,260**
Decrease (increase) in accounts receivables and prepayments and other current assets		2,469	(3,364)
Decrease (increase) in advances received		72	(910)
Increase (decrease) in deposits from tenants		27	2,812
Increase (decrease) in trade payables		(800)	842
Cash generated from operations		**106,682**	**107,640**
Tax paid in the period		(6,357)	(6,233)
Net cash from operating activities		**100,325**	**101,407**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditure on investment property and property, plant and equipment	17	(78,528)	(144,688)
Purchase of completed assets and land		(21,468)	-
Decrease in short term deposits designated for investment		5,923	5,579
Sale of investment property		64,569	80,504
Proceeds related to expropriation of land		-	4,917
VAT/tax on purchase/sale of investment property		953	857
Sale of subsidiary		-	42,834
Purchase of minority		(1,802)	-
Interest received		55	115
Net cash used in investing activities		**(30,298)**	**(9,882)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution of dividend		-	(37,992)
Proceeds from long-term borrowings	28	286,807	292,962
Repayment of long-term borrowings	28	(224,293)	(200,918)
Interest paid		(32,068)	(30,430)
Repayment of lease liability		(162)	(1,739)
Loans origination payment		(1,983)	(2,390)
Dividend granted to non-controlling interest		(420)	(429)
Loans granted to non-controlling interest		-	(429)
Decrease/(Increase) in short term deposits		(168)	(11,086)
Net cash from /(used) in financing activities		**27,713**	**7,549**
Net foreign exchange difference		**(5,380)**	**106**
Net increase/ (Decrease) in cash and cash equivalents		**92,360**	**99,180**
Cash and cash equivalents at the beginning of the period		**179,636**	**80,456**
Cash and cash equivalents at the end of the period		**271,996**	**179,636**

1. Principal activities

Globe Trade Centre S.A. (the "Company" or "GTC") with its subsidiaries ("GTC Group" or "the Group") is an international real estate developer and investor. The Company was registered in Warsaw on 19 December 1996. The Company's registered office is in Warsaw, Poland at Komitetu Obrony Robotników 45a Street. The Company owns, through its subsidiaries, commercial and residential real estate companies with a focus on Poland, Budapest, Bucharest, Belgrade, Zagreb and Sofia.

The Group's main business activities are development and rental of office and retail space.

As of 31 December 2020 and 2019, the number of full time equivalent working employees in the Group companies was 209 and 197, respectively.

There is no seasonality in the business of the Group companies.

GTC is primarily listed on the Warsaw Stock Exchange and inward listed on Johannesburg Stock Exchange.

As of 31 December 2020, the majority shareholder of the Company is GTC Holding Zrt., which holds directly and indirectly 320,466,380 shares of GTC S.A., entitling to 320,466,380 votes in the Company, representing 66% of the share capital of GTC S.A. and carrying the right to 66% of the total number of votes in GTC S.A.. GTC Holding Zrt. holds directly 21,891,289 shares of the Company, entitling to 21,891,289 votes in GTC S.A., representing 4.51% of the share capital of the Issuer and carrying the right to 4.51% of the total number of votes in GTC S.A. and indirectly (i.e. through GTC Dutch Holdings B.V.) holds 298,575,091 shares in the Company, entitling to 298,575,091 votes GTC S.A., representing 61.49% of the share capital of the Company and carrying the right to 61.49% of the total number of votes in the Company.

2. Functional and presentation currencies

The functional currency of GTC S.A. and most of its subsidiaries is Euro. The functional currency of some of GTC's subsidiaries is other than Euro (Europort/Ukraine/USD).

The financial statements of those companies prepared in their functional currencies are included in the consolidated financial statements by a translation into Euro using appropriate exchange rates outlined in IAS 21 *The Effects of Changes in Foreign Exchange Rates*. Assets and liabilities are translated at the period end exchange rate, while income and expenses are translated at average exchange rates for the period. All resulting exchange differences are classified in equity as "Foreign currency translation" without affecting earnings for the period.

3. Basis of preparation and statement of compliance

The Company maintains its books of account in accordance with accounting principles and practices employed by enterprises in Poland as required by the Polish accounting regulations. The companies outside Poland maintain their books of account in accordance with local GAAP. The 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 to conformity with IFRS.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS”) as adopted by the EU („EU IFRS"). At the date of authorisation of these consolidated financial statements, taking into account the EU IFRS's ongoing process of IFRS endorsement and the nature of the Group's activities, there is no relevant difference between IFRS applying to these consolidated financial statements and IFRS endorsed by the European Union.

4. Going concern

The Group’s policies and processes are aimed at managing the Group’s capital, financial and liquidity risks on a sound basis. The Group meets its day to day working capital requirements through the generation of operating cash-flows from rental income. Further details of liquidity risks and capital management processes are described in note 35.

As of 31 December 2020, the Group’s net working capital (defined as current assets less current liabilities) was positive and amounted to Euro 80,918.

The management has analysed the timing, nature and scale of potential financing needs of particular subsidiaries and believes that there are not risks for paying current financial liabilities and cash on hand, as well as, expected operating cash-flows will be sufficient to fund the Group’s anticipated cash requirements for working capital purposes, for at least the next twelve months from the balance sheet date. Consequently, the consolidated financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future, for at least 12 months from the balance sheet date.

With reference to the Covid-19 outbreak, the management has prepared and analysed the cash flow budget based on certain hypothetical defensive assumptions to assess the reasonableness of the going concern assumption in view of the current developments on the market. This analysis assumed certain loans repayment acceleration, negative impact on net operating income (“NOI”) as well as other offsetting measures, which the management may take to mitigate the risks, including deferring the development activity and retention of profit by the Company and allocate it to the reserve/supplementary capital.

Based on management's analysis, the current cash liquidity of the Company and prepared cash flow budget assumptions, the management concluded that there is no material uncertainty as to the Company's ability to continue as a going concern in the foreseeable future i.e. at least in the next 12 months.

Please refer to note 36 for further information on Covid-19 effects and the management's considerations and judgements.

5. Accounting policies

The accounting policies adopted in the preparation of the attached consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019 except for the new standards, which are effective as at 1 January 2020 (see note 6).

6. New standards and interpretations that have been issued

STANDARDS ISSUED AND EFFECTIVE FOR FINANCIAL YEARS BEGINNING ON OR AFTER 1 JANUARY 2020:

- Amendments to IAS 1 and IAS8: Disclosure Initiative – Definition of Material (issued on 31 October 2018) – effective for the financial years beginning on or after 1 January 2020;

- Amendments to IFRS 3: Definition of Business (issued on 22 October 2018) - effective for financial years beginning on or after 1 January 2020;

- Amendments to References to the Conceptual Framework for Financial Reporting (issued on 29 March 2018) – effective for financial years beginning on or after 1 January 2020;

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform – IBOR 'phase 1' (issued on 26 September 2019) - effective for financial years beginning on or after 1 January 2020;

- Amendments to IFRS 16, COVID-19-Related Rent Concessions (issued on 28 May 2020). Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

    (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
    (b) The reduction is lease payments affects only payments originally due on or before 30 June 2021; and

6. New standards and interpretations that have been issued (continued)

(c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The Company's assessment is that the above changes (new standards/amendments) have no material impact.

STANDARDS ISSUED BUT NOT YET EFFECTIVE:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – IBOR 'phase 2' (issued on 27 August 2020) - effective for financial years beginning on or after 1 January 2021;

- Amendments to IAS 37: Onerous contracts – Cost of fulfilling a Contract (issued on 14 May 2020) — effective for financial years beginning on or after 1 January 2022;

- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before intended Use (issued on 14 May 2020) – effective for financial years beginning on or after 1 January 2022;

- Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual improvements to IFRS Standards 2018-2020 ((issued on 14 May 2020) — effective for financial years beginning on or after 1 January 2022;

- Amendments to IFRS 3: Business Combinations (issued on 14 May 2020) — effective for financial years beginning on or after 1 January 2022;

- IFRS 17 *Insurance Contracts* (issued on 18 May 2017) – the IASB issued amendments to IFRS 17 - effective (after deferral) for financial years beginning on or after 1 January 2023;

- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (issued on 23 January 2020 and amended 15 July 2020) – effective for financial years beginning on or after 1 January 2023;

    - The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of liability exists;

6. New standards and interpretations that have been issued (continued)

- Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant;
- The amendments clarify the situations that are considered the settlement of liability.

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies and amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) – effective for financial years beginning on or after 1 January 2023;

The new guidance is not yet endorsed by EU at the date of approval of these financial statements.

The effective dates are dates provided by the International Accounting Standards Board. Effective dates in the European Union may differ from the effective dates provided in standards and are published when the standards are endorsed by the European Union.

The Group plans to adopt all new standards on the required effective date and will not restate comparative information. The Group does not expect a significant impact on its statement of financial position and equity.

7. Summary of significant accounting policies

(a) BASIS OF ACCOUNTING

The consolidated financial statements have been prepared on a historical cost basis, except for completed investment properties, investment property under construction (“IPUC”) if the certain condition described in note 7(c) ii are met, share based payments, and derivative financial instruments that have been measured at fair value.

(b) PROPERTY, PLANT AND EQUIPMENT

Plant and equipment consist of vehicles and equipment. Plant and equipment are recorded at cost less accumulated depreciation and impairment. Depreciation is provided using the straight-line method over the estimated useful life of the asset. Reassessment of the useful life and indications for impairment is done each quarter.

7. Summary of significant accounting policies (continued)

The following depreciation rates have been applied:

	Depreciation rates
Equipment	7-20 %
Buildings	2 %
Vehicles	20 %

Assets under construction other than investment property are shown at cost. The direct costs paid to subcontractors for the improvement of the property are capitalised into construction in progress. Capitalised costs also include borrowing costs, planning, and design costs, construction overheads, and other related costs. Assets under construction are not depreciated.

(c) INVESTMENT PROPERTIES

Investment property comprises a land plot or a building or a part of a building held to earn rental income and/or for capital appreciation and property that is being constructed or developed for future use as an investment property (investment property under construction).

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value. Any gain or loss arising from a change in the fair value of investment property is recognized in the profit or loss for the year in which it arose, after accounting for the related impact on deferred tax.

(i) Completed Investment properties

Investment properties are stated at fair value according to the fair value model, which reflects market conditions at the reporting date

Completed investment properties were externally valued by independent appraisers as of 31 December 2020 and 2019 based on open market values (RICS Standards). Completed properties are either valued on the basis of discounted cash flow (DCF) or - as deemed appropriate – on the basis of the Income capitalisation or yield method. The applied method is defined by the valuer.

7. Summary of significant accounting policies (continued)

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use, and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

(ii) Investment property under construction ("IPUC")

The Group revalues IPUC based on its fair value, once a substantial part of the development risks have been eliminated. IPUC, for which this is not the case, is presented at the lower of cost or recoverable amount. Recoverable amount is a fair value, externally valued by independent appraisers.

The land is reclassified to IPUC at the moment, at which active development of this land begins (i.e. when construction works start)

The Group has adopted the following criteria to assess whether the substantial risks are eliminated with regard to particular IPUC:

- agreement with a general contractor is signed;
- a building permit is obtained;
- at least 20% of the rentable area is leased to tenants (based on the signed lease agreements and letters of intent);
- external financing is secured.

The fair values of IPUC were determined as at their development stage at the end of the reporting period. Valuations were performed in accordance with RICS and IVSC Valuation Standards using the residual method approach.

The future assets' value is estimated based on the expected future income from the project, using yields that are higher than the current yields of the similar completed property. The remaining expected costs to completion are deducted from the estimated future assets value.

7. Summary of significant accounting policies (continued)

For projects where the completion is expected in the future, also a developer profit margin of unexecuted works was deducted from the value. The profit margin deducted is reduced when the construction is closer to completion.

(d) HIERARCHY OF INVESTMENT PROPERTY

Fair value hierarchy is based on the sourced of input used to estimate the fair value:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

All investment properties are categorized in Level 2 or Level 3 of the fair value hierarchy.

The Group considered all investment value under construction carried at fair value as properties categorized in Level 3.

The Group considered completed investment properties as properties categorize in Level 2 or Level 3, based on the liquidity in the market it operates.

The Group applied the simplified classification rules of the IP fair value hierarchy based on the two main criteria: the type of investment property (retail/office) and, mainly, its location.

The fair value measurement of completed investment property is based on the market assumptions made by the independent appraisers. Those assumptions depend on the observable market transactions. For more mature and active markets – like e.g. Poland, Hungary, and Romania, with a relevant number of comparative transactions, we classify the properties to level 2. The other markets provide few observable data, and the relevant properties are classified to level 3.

(e) INVESTMENT IN ASSOCIATES

Investment in associates is accounted for under the equity method. The investment is carried in the statement of financial position at cost plus post acquisition changes in the Group share of net assets of the associate.

(f) INVESTMENT IN JOINT VENTURES

Investment in joint ventures is accounted for under the equity method. The investment is carried in the statement of financial position at cost plus post acquisition changes in the Group share of net assets of the joint ventures.

7. Summary of significant accounting policies (continued)

(g) LEASE ORIGINATION COSTS

The costs incurred to originate a lease (mainly brokers' fees) for available rental space are added to the carrying value of investment property until the date of revaluation of the related investment property to its fair value. If as of the date of revaluation, the carrying value is higher than the fair value, the costs are recognized in the profit or loss.

(h) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and their disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This requirement can be fulfilled only if the occurrence of a sale transaction is highly probable and the item of assets is available for immediate sale in its present condition. The classification of an asset as held for sale assumes the intent of the entity's management to realise the transaction of sale within one year from the moment of asset classification to the held for sale category. Non-current assets held for sale are measured at the lower of their carrying amount and fair value, less costs to sell.

(i) ADVANCES RECEIVED

Advances received (related to pre-sales of residential units) are deferred to the extent that they are not reflected as revenue as described below in note 7(j).

(j) RENTAL REVENUE

Rental revenues result from operating leases and are recognised as income over the lease term on a straight-line basis.

(k) INTEREST AND DIVIDEND INCOME

Interest income is recognised on an accrual basis using the effective interest method that is the rate that exactly discounts estimated future cash flows through the expected life of financial instruments to the net carrying amount of the underlying financial asset or liability.

Dividend income is recognised when the shareholders' right to receive payments is established.

7. Summary of significant accounting policies (continued)

(I) CONTRACT REVENUE AND COSTS RECOGNITION

Group has the following revenue streams:

- **Rental income.** The main source of income of the Group, which is charged to tenants on a monthly basis, based on rent fee rate agreed in the contract.

- **Service charge** represents fees paid by the tenants of the Group's investment properties to cover the costs of the services provided by the Group in relation to their leases. Service charge is billed on a monthly basis, based on service fee rate agreed in the contract, which represents the best estimate for a particular project. Allocation of service charge to tenants is done based on the leased area.

  Heating, water, and sewage are billed separately on a monthly basis, based on leased area and rates agreed in the contract.

Rental income revenue under IFRS 15.

Rental income revenue is recognised under IFRS 15 when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

- **Acting as a principal.** The Group bills the tenants on a monthly basis, based on rent fee rate agreed in the contract.

Service charge revenue under IFRS 15.

Service charge revenue is recognised under IFRS 15 when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Group recognizes two kinds of performance obligations in the Group:

- **Acting as an agent.** Some tenants install counters for electricity. In this case, the invoices for electricity are billed through GTC entities and addressed to the tenants directly. The Group recognizes cost and corresponding income at the same amount. For financial statement purposes such income and expenses are disclosed on a net basis, as GTC acts as an agent.

7. Summary of significant accounting policies (continued)

- **Acting as a principal.** In the other cases, all service charges are billed to GTC entities on a monthly basis. The Group bills the tenants based on the rates in the contract on a monthly basis. By the end of the year, the Group does reconciliation of actual service charges costs vs. billed one, and then bill for deficit or return the overpayment to the tenant if it is required. For financial statement purposes such expenses are disclosed on a gross basis, as GTC acts as a principal.

(m) BORROWING COSTS

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalised 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 capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

(n) SHARE ISSUANCE EXPENSES

Share issuance costs are deducted from equity (share premium), net of any related income tax benefits.

(o) INCOME TAXES & OTHER TAXES

The current provision for corporate income tax for the Group companies is calculated in accordance with tax regulations ruling in particular country of operations and is based on the profit or loss reported under relevant tax regulations.

7. Summary of significant accounting policies (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,

- in respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- in respect of deductible temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured using the tax rates enacted to taxable income in the years in which these temporary differences are expected to be recovered or settled.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which each company of the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

At each reporting date, the Group companies re-assess unrecognised deferred tax assets and the carrying amount of deferred tax assets. The companies recognise a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

7. Summary of significant accounting policies (continued)

The companies conversely reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset that might be utilised.

Deferred tax relating to items recognised outside profit and loss is also recognized outside profit and loss: under other comprehensive income if relates to items recognised under other comprehensive income, or under equity – if relates to items recognized in equity.

Deferred tax assets and deferred tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes that are levied by the same taxation authority.

Revenues, expenses, and assets are recognized net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- receivables and payables, which are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

If, according to the Group's assessment, it is probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Group determines taxable income (tax loss), tax base, unused tax losses and unused tax credits and tax rates, after considering in its tax return the applied or planned approach to taxation.

If the Group ascertains that it is not probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Group reflects the impact of this uncertainty in determining taxable income (tax loss), unused tax losses, unused tax credits or tax rates. The Group accounts for this effect using the following methods:

- determining the most probable amount – it is a single amount from among possible results; or
- providing the expected amount – it is the sum of the amounts weighted by probability from among possible results.

(in thousands of Euro)

7. Summary of significant accounting policies (continued)

(p) FOREIGN EXCHANGE DIFFERENCES

For companies with Euro as a functional currency, transactions denominated in a foreign currency (including Polish Zloty) are recorded in Euro at the actual exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are revalued at period-end using period-end exchange rates. Foreign currency translation differences are charged to the income statement. The following exchange rates were used for valuation purposes in cases where a certain lease is denominated in local currency.

	31 December 2020	31 December 2019
PLN/EUR	4.6148	4.2585
USD/EUR	1.2279	1.1112
HUF/EUR	365.13	330.50

(q) INTEREST BEARING LOANS AND BORROWINGS AND DEBT SECURITIES

All loans and borrowings and debt securities are initially recognized at fair value, net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings and debt securities are measured at amortised cost using the effective interest rate method, except for liabilities designated as hedged items, which are measured in accordance with hedge accounting policies, as described in Note 7 (w).

Debt issuance expenses are deducted from the amount of debt originally recognised. These costs are amortised through the income statement over the estimated duration of the loan, except to the extent that they are directly attributable to construction. Debt issuance expenses represent an adjustment to effective interest rates.

Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

7. Summary of significant accounting policies (continued)

(r) FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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, in the case of a financial asset not at fair value through profit or loss, transaction costs. 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. Refer to the accounting policies in note *7(l) Contract revenue and costs recognition*.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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 the 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.

7. Summary of significant accounting policies (continued)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables, loans to associate and short-term deposits under current financial assets.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling;

  and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation, and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group does not have such debt instruments.

7. Summary of significant accounting policies (continued)

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group does not have such equity instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group does not have such instruments.

7. Summary of significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, loans and borrowings, including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Loans and borrowings

This is the category most relevant to the Group. 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.

7. Summary of significant accounting policies (continued)

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.

This category applies to interest-bearing loans and borrowings.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

The table below presents the categorisation of financial assets and liabilities: Item, Category, and Measurement.

Item	Category	Measurement
	Financial assets/liabilities	
Cash and short-term deposits	Financial assets at amortised cost	Amortised cost
Debtors	Financial assets at amortised cost	Amortised cost
Trade and other payables	Financial liabilities at amortised cost	Amortised cost
Long and short term borrowings	Financial liabilities at amortised cost	Amortised cost
Deposits from tenants	Financial liabilities at amortised cost	Amortised cost
Long term payables	Financial liabilities at amortised cost	Amortised cost
Interest Rate Swaps	Hedging (cash flow hedges)	Fair value – adjusted to other comprehensive income (effective portion) / adjusted to profit or loss (ineffective portion)
Cap	Financial liabilities at fair value through profit or loss	Fair value – adjusted to profit or loss
Cross-currency interest swap	Financial liabilities at fair value through other comprehensive income / profit or loss	Fair value related to interest – adjusted to other comprehensive income; Fair value related to currency – adjusted to profit or loss;

7. Summary of significant accounting policies (continued)

(s) CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and on-call deposits. Cash equivalents are short-term, highly liquid investments that readily convert to a known amount of cash and which are subject to an insignificant risk of changes in value.

(t) ACCOUNTS RECEIVABLES

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section *r) Financial instruments – initial recognition and subsequent measurement*. The carrying amount of accounts receivables is equal to their fair value.

(u) IMPAIRMENT OF NON-CURRENT ASSETS

The carrying value of assets not measured at fair value is periodically reviewed by the Management Board to determine whether impairment may exist. In particular, the Management Board assessed whether the impairment indicators exist. Based upon its most recent analysis, management believes that there are no impairment indicators.

(v) PURCHASE OF SHARES OF NON-CONTROLLING INTEREST

If the Group increases its share in the net assets of its controlled subsidiaries, the difference between the consideration paid/payable and the carrying amount of non-controlling interest is recognised in equity attributable to equity holders of the parent.

(w) DERIVATIVES FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps and cap, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently premeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

7. Summary of significant accounting policies (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Before 1 January 2018, the documentation included identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Since 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

There is 'an economic relationship' between the hedged item and the hedging instrument.

- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

7. Summary of significant accounting policies (continued)

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point of time, any cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

For derivatives that do not qualify for hedge accounting, any gain or losses arising from changes in fair value are recorded directly to net profit and loss of the year.

The fair value of cross-currency interest swap, interest rate swaps and caps contracts is determined by reference to market values for similar instruments (fair value level hierarchy 2).

(x) ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with International Financial Reporting Standards requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the balance date. The actual results may differ from these estimates.

Investment property represents property held for long-term rental yields. Investment property is carried at fair value, which is established at least annually by an independent registered valuer based on discounted projected cash flows from the investment property using the discounts rates applicable for the local real estate market and updated by the Management judgment or - as deemed appropriate – on basis of the Income capitalisation or yield method. The applied method and main assumptions as defined in note 17 are defined by the valuer.

The changes in the fair value of investment property are included in the profit or loss for the period in which it arises (note 17).

The Group uses estimates in determining the amortization rates used (note 29).

The fair value of financial instruments for which no active market exists is assessed by means of appropriate valuation methods. In selecting the appropriate methods and assumptions, the Group applies professional judgment (note 19).

The Group recognises deferred tax asset based on the assumption that taxable profits will be available in the future against which the deferred tax asset can be utilised. Deterioration of future taxable profits might render this assumption unreasonable (note 15).

7. Summary of significant accounting policies (continued)

(y) SIGNIFICANT ACCOUNTING JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgments:

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Significant accounting judgements related to investment property are presented in note 7 (c).

Significant accounting judgements related to market liquidity of investment property are presented in note 7 (d).

The Group classifies its residential inventory to current or non-current assets, based on their development stage within the business operating cycle. The normal operating cycle most cases falls within a period of 1-5 years. Residential projects, which are active, are classified as current inventory. Residential projects which are planned to be completed in a period longer than the operating cycle are classified as residential landbank under non-current assets.

On the basis of the assessment made, the Group has reclassified part of inventory from current assets to residential landbank in non–current assets.

The Group determines whether a transaction or other event is a business combination by applying the definition of a business in IFRS 3.

Deferred tax with respect to outside temporary differences relating to subsidiaries was calculated based on an estimated probability that these temporary differences will be realized in the foreseeable future.

The Group also makes an assessment of the probability of realization of deferred tax asset. If necessary, the Group decreases deferred tax asset to the realizable value.

The Group uses judgements in determining the settlement of share based payment in cash.

(z) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of GTC and the financial statements of its subsidiaries for the year ended 31 December 2020.

7. Summary of significant accounting policies (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as those of the parent company, using consistent accounting policies, and based on the same accounting policies applied to similar business transactions and events. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee.

The Group controls an investee when it 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.

Thus, the Group controls an investee if and only if it has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All significant intercompany balances and transactions, including unrealised gains arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless they indicate impairment.

(aa) PROVISIONS

Provisions are recognised when the Group has present obligation, (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(ab) SHARE-BASED PAYMENT TRANSACTIONS

Amongst others, GTC remunerates key personnel by granting them rights for payments based on GTC’s share price performance in PLN, in exchanges for their services (“Phantom shares”).

7. Summary of significant accounting policies (continued)

The cost of the phantom shares is measured initially at fair value at the grant date. The liability is re-measured to fair value at each reporting date up and including the settlement date, with changes in fair value recognised in administration expenses. Phantom shares are vested in annual tranches during the work/service period. Expenses are recognised in a straight line basis over the vesting period.

(ac) EARNINGS PER SHARE

Earnings per share for each reporting period is calculated as quotient of the profit for the given reporting period and the weighted average number of shares outstanding in that period.

(ad) SHORT TERM DEPOSITS

Short-term deposits include deposits related to loan agreements and other contractual commitments and can be used only for certain operating activities as determined by underlying agreements. Deposits related to loan agreements can be used anytime (for the defined purposes upon approval of the lender), as so, they are presented within current assets.

(ae) DEPOSITS FROM TENANTS

Deposits from tenants include deposits received from tenants to secure the obligation of the tenants towards the landlord. The deposits are refundable at the end of the lease.

(af) RESIDENTIAL INVENTORY AND RESIDENTIAL LANDBANK

Inventory relates to residential projects under construction is stated at the lower of cost and net realisable value. The realisable value is determined using the Discounted Cash Flow method or Comparison method by independent appraisers. Costs relating to the construction of a residential project are included in the inventory.

Commissions paid to sales or marketing agents on the sale of real estate units, which are not refundable, are expensed in full when the contract to sell is secured.

The Group classifies its residential inventory to current or non-current assets based on their development stage within the business operating cycle. The normal operating cycle, in most cases, falls within a period of 1-5 years. Residential projects, which are active, are classified as current inventory. Residential projects which are planned to be completed in a period longer than the operating cycle are classified as residential landbank under non-current assets.

7. Summary of significant accounting policies (continued)

(ag) LEASES

Leases, where the Group does not transfer substantially all the risk and benefits of ownership of the asset, are classified as operating leases.

There are two types of leases in GTC Group that are subject to IFRS 16 and affect the financial statements:

- **Leasing property rented to tenants - the primary activity of GTC Group.**

For this leasing activity, GTC Group acts as a Lessor. A lessor accounting under IFRS 16 is substantially unchanged, therefore it has no influence on the Group.

- **Leases of lands under perpetual usufruct where the Group acts as Lessee.**

Perpetual usage payments are payments, which are done in advance or in arrears on an annual or monthly basis within a define period (from 33 to 87 years). Perpetual usage payments are made in Poland, Croatia, Romania, and Serbia.

Due to the fact that perpetual usage payments, by substance, are treated as lease payments, payments are to be considered under IFRS 16.

In the consolidated financial position statements, the Group recognized a Right-of-Use and Lease Liabilities:

a) Right of use of lands under perpetual usufruct is presented

- as part of the Investment Property, with separate disclosure in a separate note;
- as part of the residential landbank.

b) Lease Liabilities are presented separately, as part of the Short-term and Long-term Liabilities, with a separate disclosure.

Under IFRS 16, the Group presents the amortization of Right-of-Use or the change in fair value of Right-of-Use within the profit (loss) on revaluations. Interest embedded within land leases is presented as Finance expenses.

The Right of Use of lands under perpetual usufruct is amortized over the lease period (for cost method) or valued using the fair value approach (for investment properties valued at fair value).

7. Summary of significant accounting policies (continued)

The Group entered into several other leases (low value, short term), which are not treated in accordance with IFRS 16. Additionally, the Group has decided not to apply the new guidelines to leases whose term will end within twelve months of the date of initial application. In such cases, the lease is accounted as short-term lease.

- **Amendments to IFRS 16, COVID-19-Related Rent Concessions (issued on 28 May 2020).** Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

  (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  (b) The reduction is lease payments affects only payments originally due on or before 30 June 2021; and
  (c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

The Group's assessment is that the new amendment has no material impact.

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(in thousands of Euro)

8. Investment in Subsidiaries, Associates, and Joint Ventures

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed below together with direct and indirect ownership of these entities, and voting rights proportion as at the end of each period (the table presents the effective stake):

Subsidiaries

Name	Holding Company	Country of incorporation	31 December 2020	31 December 2019
GTC Konstancja Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Korona S.A.	GTC S.A.	Poland	100%	100%
Globis Poznań Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Aeropark Sp. z o.o.	GTC S.A.	Poland	100%	100%
Globis Wrocław Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Satellite Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Sterlinga Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Karkonoska Sp. z o.o.(1)	GTC S.A.	Poland	100%	100%
GTC Ortal Sp. z o.o.	GTC S.A.	Poland	100%	100%
Diego Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Francuska Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC UBP Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Pixel Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Moderna Sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Handlowe Wilanow Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Management Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Corius Sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Światowida Sp. z o.o.	GTC S.A.	Poland	100%	100%
Glorine investments Sp. z o.o. (1)	GTC S.A.	Poland	100%	100%
Glorine investments Sp. z o.o. s.k.a. (1)	GTC S.A.	Poland	100%	100%
GTC Galeria CTWA Sp. z o.o.	GTC S.A.	Poland	100%	100%
Artico Sp. z o.o	GTC S.A.	Poland	100%	100%
Julesberg Sp. z o.o. (2)	GTC S.A.	Poland	-	100%
Jowett Sp. z o.o. (2)	GTC S.A.	Poland	-	100%
GTC Hungary Real Estate Development Company Ltd. ("GTC Hungary")	GTC S.A.	Hungary	100%	100%
GTC Duna Kft.	GTC Hungary	Hungary	100%	100%
Vaci Ut 81-85 Kft.	GTC Hungary	Hungary	100%	100%
Riverside Apartmanok Kft. ("Riverside") (1)	GTC Hungary	Hungary	100%	100%
Centre Point I. Kft. ("Centre Point I")	GTC Hungary	Hungary	100%	100%
Centre Point II. Kft.	GTC Hungary	Hungary	100%	100%
Spiral I.Kft.	GTC Hungary	Hungary	100%	100%
SASAD Resort Kft. ("Sasad") (3)	GTC Hungary	Hungary	-	100%

(1) Under liquidation

(2) Liquidated

(3) Merged to GTC Hungary Ltd. as of 30 September 2020

(in thousands of Euro)

8. Investment in Subsidiaries, Associates and Joint Ventures (continued)

Name	Holding Company	Country of incorporation	31 December 2020	31 December 2019
Albertfalva Üzletközpont Kft.	GTC Hungary	Hungary	100%	100%
GTC Metro Kft.	GTC Hungary	Hungary	100%	100%
Kompakt Land Kft	GTC Hungary	Hungary	100%	100%
GTC White House Kft.	GTC Hungary	Hungary	100%	100%
VRK Tower Kft	GTC Hungary	Hungary	100%	100%
Amarantan Ltd. (4)	GTC Hungary	Hungary	-	100%
GTC Future Kft (5)	GTC Hungary	Hungary	100%	-
Globe Office Investments Kft (5)	GTC Hungary	Hungary	100%	
GTC Nekretnine Zagreb d.o.o.(“GTC Zagreb”)	GTC S.A.	Croatia	100%	100%
Euro Structor d.o.o.	GTC S.A.	Croatia	70%	70%
Marlera Golf LD d.o.o. (6)	GTC S.A.	Croatia	100%	80%
Nova Istra Idaeus d.o.o. (6)	Marlera Golf LD d.o.o	Croatia	100%	80%
GTC Matrix d.o.o.	GTC S.A.	Croatia	100%	100%
GTC Seven Gardens d.o.o.	GTC S.A.	Croatia	100%	100%
Towers International Property S.R.L.	GTC S.A.	Romania	100%	100%
Green Dream S.R.L.	GTC S.A.	Romania	100%	100%
Aurora Business Complex S.R.L	GTC S.A.	Romania	100%	100%
Cascade Building S.R.L	GTC S.A.	Romania	100%	100%
City Gate Bucharest S.R.L.	GTC S.A.	Romania	100%	100%
Venus Commercial Center S.R.L.	GTC S.A.	Romania	100%	100%
Beaufort Invest S.R.L.	GTC S.A.	Romania	100%	100%
Fajos S.R.L. (1)	GTC S.A.	Romania	100%	100%
City Gate S.R.L.	GTC S.A.	Romania	100%	100%
City Rose Park SRL	GTC S.A.	Romania	100%	100%
Deco Intermed S.R.L.	GTC S.A.	Romania	66.7%	66.7%
GML American Regency Pipera S.R.L.	GTC S.A.	Romania	66.7%	66.7%

(1) Under liquidation
(2) Liquidated
(3) Merged to GTC Hungary Ltd. as of 30 September 2020
(4) Merged to Center Point I. Kft. as of 30 September 2020
(5) Newly established wholly owned subsidiary
(6) NCI share was aquired

(in thousands of Euro)

8. Investment in Subsidiaries, Associates and Joint Ventures (continued)

Name	Holding Company	Country of incorporation	31 December 2020	31 December 2019
NRL EAD	GTC S.A.	Bulgaria	100%	100%
Advance Business Center EAD	GTC S.A.	Bulgaria	100%	100%
GTC Yuzhen Park EAD ("GTC Yuzhen")	GTC S.A.	Bulgaria	100%	100%
Dorado 1 EOOD	GTC S.A.	Bulgaria	100%	100%
GTC Medj Razvoj Nekretnina d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
GTC Business Park d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Commercial and Residential Ventures d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Demo Invest d.o.o. Novi Beograd	GTC S.A.	Serbia	100%	100%
Atlas Centar d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Commercial Development d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Glamp d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
GTC BBC d.o.o	GTC S.A.	Serbia	100%	100%
Europort Investment (Cyprus) 1 Limited	GTC S.A.	Cyprus	100%	100%
Europort Ukraine Holdings 1 LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Ukraine LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Project Ukraine 1 LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%

9. Events in the period

OWNERSHIP CHANGES / MANAGEMENT BOARD CHANGES

On 16 April 2020, Mr. Yovav Carmi was appointed as member of the Management Board of the Company.

On 23 June 2020, GTC HOLDING ZÁRTKÖRŰEN MŰKÖDŐ RÉSZVÉNYTÁRSASÁG ("GTC Holding Zrt") registered in Budapest, Hungary, bought 100% of shares of GTC Dutch Holdings B.V. (the "Majority Shareholder") from LSREF III GTC INVESTMENTS B.V. registered in Amsterdam, the Netherlands. GTC Dutch Holdings BV owns 298,575,091 shares of the Company, representing 61.49% of the shares in the share capital of the Company. After the abovementioned acquisition, GTC Holding Zrt (i.e. through the Majority Shareholder) holds indirectly 298,575,091 shares of the Company, representing 61.49% votes in the Company.

On 23 June 2020, Mr. Robert Snow was appointed as member of the Management Board of the Company.

On 23 June 2020, Mr. Thomas Kurzmann was dismissed from the Management Board of the Company.

On 1 July 2020, Mr. Gyula Nagy was appointed as member of the Management Board of the Company.

On 28 July 2020, Mr. Ariel Alejandro Ferstman was appointed as member of the Management Board of the Company.

On 28 July 2020, the Company and Mr. Erez Boniel have mutually agreed to terminate his appointment as a member to the Management Board of the Company.

On 18 September 2020, Mr. Yovav Carmi was appointed as the President of the Management Board of the Company.

On 27 October 2020, GTC Holding Zrt increased the total number of votes in the Company, as a result of acquisitions conducted on 22 October 2020, by 21,891,289 shares of the Company, entitling to 21,891,289 votes in the Company, representing 4.51% of the share capital of the Company and carrying the right to 4.51% of the total number of votes in the Company. After the abovementioned acquisitions, GTC Holding Zrt holds directly and indirectly 320,466,380 shares of the Company, representing 66.00% votes in the Company.

9. Events in the period (continued)

COMPLETION OF INVESTMENTS / ACQUISITION

During 2020, GTC Group has completed the construction of the following properties:

- Green Heart N3 in Belgrade - 5 thousand sqm office building (March 2020);
- Matrix B in Zagreb -11 thousand sqm office building (November 2020);
- ABC 2 in Sofia 18 thousand sqm office building (October 2020).

In September 2020, the Group acquired the remaining 20% in Marlera Golf LD d.o.o. for a consideration of Euro 2.8 million, Euro 1.8 million of which was paid in September 2020 (the remaining part of Euro 1 million will be paid upon completion of certain conditions). Following the transaction, GTC remained the sole owner of the subsidiary. As a result of the transaction, the NCI increased by Euro 3.6 million, and the capital reserve decreased by Euro 6.4 million. Consequently, the total equity decreased by Euro 2.8 million.

On 13 November 2020 GTC Future Kft, a newly established wholly owned subsidiary acquired a land plot from a subsidiary related to the majority shareholder with an existing old office and industrial buildings in Vaci Corridor in Budapest for a total amount of Euro 21.35 million. The buildings have total leasable area of 12,000 sqm (GLA 8,200 sqm). The Company plans to demolish the buildings and develop office buildings in phases with a total leasable area of 64,000 sqm.

COMMENCEMENT OF CONSTRUCTION OF NEW PROJECTS

In July 2020, Dorado 1 EOOD, a whole owned subsidiary of the Company, commenced the construction of a new office Building (Sofia Tower 2) in Sofia. The Project shall consist of 8.3 thousand sqm of leasable area.

DISPOSAL OF ASSETS

On 20 October 2020, Spiral I Kft., an indirect wholly owned subsidiary of the Company, signed a sale and purchase agreement for the sale of Spiral office building for a consideration of Euro 62.7 million. On 5 November 2020, all conditions precedents for the sale were concluded and the purchase price was paid in full. In parallel with the Closing Spiral I kft repaid the full outstanding amount of the loan with Erste Bank.

ISSUANCE OF BONDS AND REFINANCE

On 13 February 2020, GTC CTWA signed with Erste Group Bank AG and Raiffeisenlandesbank Niederosterreich-Wien AG a loan agreement, which refinanced the existing loan of Galeria Jurajska with a top-up of Euro 46 million, to a total of Euro 130 million.

9. Events in the period (continued)

On 12 November 2020, Scope Ratings assigned a first-time issuer rating of BBB-/Stable investment grade to the Company and its whole owned subsidiary GTC Real Estate Development Hungary Zrt. for the purpose of issuing green bonds within the framework of the Bond Funding for Growth Program in Hungary. The potential unsecured debt has also been rated BBB-.

On 7 December 2020, GTC Real Estate Development Hungary Zrt. issued 10-year green bonds with the total nominal value of 110 million euro denominated in HUF to finance real estate projects and upstream the funds with refinancing purpose. The bonds are fully and irrevocable guaranteed by the Company and were issued at a yield of 2.33% with an annual fixed coupon of 2.25%. The bonds are amortized 10% a year starting on the 7th year with the 70% of the value paid at the maturity on 7 December 2030.

On 8 December 2020, GTC Real Estate Development Hungary Zrt. entered into cross-currency interest swap agreements with three different banks to hedge the total green bonds liability against foreign exchange fluctuations. The green bonds were fixed to the Euro, and the fixed annual coupon was swapped for an annual interest fixed rate of 0.99%.

COVID- 19 OUTBREAK

The Covid-19 pandemic has triggered a wave of strong negative effects on the global economy, which include a pronounced recession. The lockdowns brought a large part of the world's economic activity to an unparalleled standstill: consumers stayed home, companies lost revenue, and terminated employees – which, consequently, led to a rise in unemployment. Rescue packages by national governments and the EU as well as supporting monetary policies by the Eurpean Central Bank have been implemented to moderate the economic impact of the pandemic. However, the scope and duration of the pandemic and possible future containment measures are still impossible to predict. From mid-March 2020, it became apparent that the economic disruptions caused by the Covid-19 virus and the increased market uncertainty combined with increased volatility in the financial markets might lead to a potential decrease in rental revenues, a potential decrease in the Company assets' values, as well as impact on the Company's compliance with financial covenants. While the exact effect of the coronavirus is still to be determined, it is clear that it poses substantial risks (for further information, please see note 36).

10. Revenue from operations

Rental income includes variable rental revenue based on tenants' turnover for the year ended 31 December 2020 of Euro 2,657 (2019: Euro 2,450). The remaining revenue is based on fixed contractual rental fees.

The Group has entered into various operational lease contracts on its property portfolio in Poland, Romania, Croatia, Serbia, Bulgaria, and Hungary. The commercial property leases typically include clauses to enable the periodic upward revision of the rental charge according to European Consumer Price Index (CPI).

Future minimum rental receivables under operating leases from completed projects are, as follows (in millions of Euro):

	31 December 2020	31 December 2019
Within 1 year	121	130
Within 2 year	100	112
Within 3 year	74	79
Within 4 year	52	52
Within 5 year	33	34
Within 6 year	22	17
More than 6 years	37	22
	439	**446**

Most of the revenue from operations is earned predominantly on the basis of amounts denominated in, directly linked to, or indexed by reference to the Euro.

Service charge revenue includes income from charging maintenance costs to tenants. Service charge is billed on a monthly basis, based on the agreed rate from the contract.

(in thousands of Euro)

11. Selling expenses

Selling expenses comprise of the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Advertising and marketing	140	606
Payroll and related expenses	1,167	1,411
	1,307	**2,017**

12. Administration expenses

Administration expenses comprise of the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Remuneration and fees (*)	8,396	12,701
Audit and valuations	852	819
Legal and tax advisers	905	1,633
Office and insurance expenses	669	731
Travel expenses	285	448
Supervisory board remuneration fees	137	105
Depreciation	654	660
Investors relations and other expenses	283	400
Total before share based payment	**12,181**	**17,497**
Share based payment (*)	(469)	(3,087)
Total	**11,712**	**14,410**

(*) Phantom shares in an amount of Euro 5,900 were exercised during 2019 year.

13. Financial income and financial expense

Financial income comprises of the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Interest on deposits and other	55	115
Interest on loan granted to non-controlling interest	276	265
	331	**380**

(in thousands of Euro)

13. Financial income and financial expense (continued)

Financial expense comprises of the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Interest expenses (on financial liabilities that are not fair valued through profit or loss) and other charges	(31,321)	(30,541)
Finance costs related to lease liability	(2,010)	(2,100)
Amortization of loan raising costs	(1,913)	(1,993)
	(35,244)	**(34,634)**

The average interest rate (including hedges) on the Group's loans as of 31 December 2020 was 2.3% p.a. (2.6% p.a. as of 31 December 2019).

14. Segmental analysis

The operating segments are aggregated into reportable segments, taking into consideration the nature of the business, operating markets, and other factors. GTC operates in six core markets: Poland, Budapest, Bucharest, Belgrade, Sofia, and Zagreb.

Operating segments are divided into geographical zones, which have common characteristics and reflect the nature of management reporting structure:

a. Poland
b. Belgrade
c. Budapest
d. Bucharest
e. Zagreb
f. Sofia
g. Other

(in thousands of Euro)

14. Segmental analysis (continued)

Segment analysis of rental income and costs for the year ended 31 December 2020 and 31 December 2019 is presented below:

	Year ended 31 December 2020			Year ended 31 December 2019		
Portfolio	Revenues	Costs	Gross margin	Revenues	Costs	Gross margin
Poland	65,227	(19,218)	46,009	75,793	(20,499)	55,294
Belgrade	33,806	(8,485)	25,321	29,542	(6,658)	22,884
Budapest	21,926	(4,900)	17,026	24,195	(5,792)	18,403
Bucharest	17,229	(2,969)	14,260	17,497	(3,103)	14,394
Zagreb	11,004	(3,684)	7,320	11,624	(3,893)	7,731
Sofia	10,929	(2,271)	8,658	11,111	(1,931)	9,180
Total	**160,121**	**(41,527)**	**118,594**	**169,762**	**(41,876)**	**127,886**

Segment analysis of assets and liabilities as of 31 December 2020 is presented below:

	Real estate	Cash and deposits	Other	Total assets	Loans, bonds and leases	Deferred tax liability	Other	Total liabilities
Poland	906,313	44,939	3,872	**955,124**	532,127	59,536	14,005	**605,668**
Belgrade	370,123	13,316	3,711	**387,150**	211,497	10,373	8,628	**230,498**
Budapest	321,704	149,239	4,680	**475,623**	223,862	12,240	17,617	**253,719**
Bucharest	197,247	13,527	1,119	**211,893**	104,974	11,816	3,103	**119,893**
Zagreb	159,319	5,905	12,305	**177,529**	67,142	16,728	4,383	**88,253**
Sofia	179,109	11,609	1,087	**191,805**	93,212	8,337	6,850	**108,399**
Other	9,521	17	18	**9,556**	-	-	1,141	**1,141**
Non allocated		71,857	220	**72,077**	78,370	14,200	6,468	**99,038**
Total	**2,143,336**	**310,409**	**27,012**	**2,480,757**	**1,311,184**	**133,230**	**62,195**	**1,506,609**

(in thousands of Euro)

14. Segmental analysis (continued)

Segment analysis of assets and liabilities as of 31 December 2019 is presented below:

	Real estate	Cash and deposits	Other	Total assets	Loans, bonds and leases	Deferred tax liability	Other	Total liabilities
Poland	978,398	38,399	5,062	**1,021,859**	516,539	70,600	10,506	**597,645**
Belgrade	404,219	18,427	5,625	**428,271**	216,805	13,570	19,545	**249,920**
Budapest	326,832	20,364	4,705	**351,901**	126,524	14,090	5,756	**146,370**
Bucharest	219,271	10,578	1,941	**231,790**	110,272	12,844	4,793	**127,909**
Zagreb	160,366	4,305	12,326	**176,997**	58,710	17,538	7,161	**83,409**
Sofia	166,070	8,825	1,733	**176,628**	79,321	8,940	5,360	**93,621**
Other	12,029	20	15	**12,064**	-	-	1,184	**1,184**
Non allocated		122,886	346	**123,232**	151,249	9,650	3,123	**164,022**
Total	**2,267,185**	**223,804**	**31,753**	**2,522,742**	**1,259,420**	**147,232**	**57,428**	**1,464,080**

(in thousands of Euro)

15. Taxation

The major components of tax expense are as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Current corporate and capital gain tax expense	8,811	7,132
Deferred tax expense / (income)	(13,806)	9,633
	(4,995)	**16,765**

The Group companies are subject to taxes in the following jurisdictions: Poland, Serbia, Romania, Hungary, Ukraine, Bulgaria, Cyprus, and Croatia. The Group does not constitute a tax group under local legislation. Therefore, every company in the Group is a separate taxpayer.

The reconciliation between tax expense and accounting profit multiplied by the applicable tax rates is presented below:

	Year ended 31 December 2020	Year ended 31 December 2019
Accounting profit / (loss) before tax	(75,856)	92,186
Taxable expenses at the applicable tax rate in each country of activity	**(14,818)**	**11,778**
Tax effect of expenses that are not deductible in determining taxable profit	772	1,738
Commercial property tax	(416)	764
Tax effect of foreign currency differences	5,975	(1,633)
Withholding tax	604	190
Unrecognised deferred tax asset on losses in current year	2,888	3,928
Tax expense / (income)	**(4,995)**	**16,765**

(In thousands of Euro)

15. Taxation (continued)

The components of the deferred tax balance were calculated at a rate applicable when the Group expects to recover or settle the carrying amount of the asset or liability. Net deferred tax assets comprise the following:

	As of 1 January 2019	Credit / (charge) to income statement	As of 31 December 2019	Credit / (charge) to income statement	As of 31 December 2020
Financial instruments (*)	**4,302**	998	**5,300**	9,085	**14,385**
Tax loss carried forwards	**13,656**	(3,459)	**10,197**	(3,515)	**6,682**
Basis differences in non-current assets	**140**	884	**1,024**	(59)	**965**
Accruals	**710**	79	**789**	257	**1,046**
Netting (**)	**(18,756)**	1,446	**(17,310)**	(5,152)	**(22,462)**
Net deferred tax assets	**52**	**(52)**	**-**	**616**	**616**

Net deferred tax liability comprises of the following:

	As of 1 January 2019	Disposal of subsidiary	Credit / (charge) to income statement	Credit / (charge) to equity	As of 31 December 2019	Credit / (charge) to income statement	Credit / (charge) to equity	As of 31 December 2020
Financial instruments (*)	**(9,439)**	(416)	(4,930)	10	**(14,775)**	(5,523)	812	**(19,486)**
Basis differences in non-current assets	**(148,436)**	1,875	(3,187)	-	**(149,748)**	13,542	-	**(136,206)**
Other	**(1)**	-	(18)	-	**(19)**	19	-	**-**
Netting (**)	**18,756**	-	(1,446)	-	**17,310**	5,152	-	**22,462**
Net deferred tax liability	**(139,120)**	**1,459**	**(9,581)**	**10**	**(147,232)**	**13,190**	**812**	**(133,230)**

(*) Mostly, unrealized interest and foreign exchange differences,
(**) within a particular company, deferred tax asset are accounted separately from deferred tax liabilities as they are independent in their nature. However, as they represent a future settlement between the same parties, they are netted off for the purpose of the presentation in financial statements.

(In thousands of Euro)

15. Taxation (continued)

The enacted tax rates in the various countries were as follows:

Tax rate	Year ended 31 December 2020	Year ended 31 December 2019
Poland	19%	19%
Hungary	9%	9%
Ukraine	18%	18%
Bulgaria	10%	10%
Serbia	15%	15%
Croatia	18%	18%
Romania	16%	16%
Cyprus	12.5%	12.5%

Future benefit for deferred tax assets has been reflected in these consolidated financial statements only if it is probable that taxable profits will be available when timing differences that gave rise to such deferred tax asset reverse.

Regulations regarding VAT, corporate income tax, and social security contributions are subject to frequent changes. These frequent changes result in there being little point of reference, inconsistent interpretations not consistent, and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies and between government bodies and companies. Tax settlements and other areas of activity (e.g., customs or foreign currency related issues) may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest.

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

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

(in thousands of Euro)

15. Taxation (continued)

Tax settlements may be subject to inspections by tax authorities. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

The Group companies have tax losses carried forward as of 31 December 2020 available in the amount of Euro 260 million. The expiry dates of these tax losses as of 31 December 2020 are as follows: within one year - Euro 14 million, between 2-5 years - Euro 142 million, afterwards – Euro 104 million. As of 31 December 2020, the Group has not recognized deferred tax assets for tax losses carried forward in amount of Euro 212 million, as the Group believes that these losses will not be utilized within claim period.

16. Property, Plant, and Equipment

The movement in property, plant, and equipment for the periods ended 31 December 2020 was as follows:

	Buildings and related improvements	Right of use	Equipment and software	Vehicles	Total
Gross carrying amount					
As of 1 January 2020	**7,551**	**286**	**1,801**	**934**	**10,572**
Additions	48	-	133	67	248
Foreign exchange differences	-	16	11	16	43
Disposals, impairments and other decreases	-	-	(36)	(117)	(153)
As of 31 December 2020	**7,599**	**302**	**1,909**	**900**	**10,710**
Accumulated Depreciation					
As of 1 January 2020	**786**	**37**	**1,208**	**382**	**2,413**
Charge for the period	271	60	171	152	654
Foreign exchange differences	-	-	(7)	-	(7)
Disposals, impairments and other decreases	-	-	(27)	(108)	(135)
As of 31 December 2020	**1,057**	**97**	**1,345**	**426**	**2,925**
Net book value as of 31 December 2020	**6,542**	**205**	**564**	**474**	**7,785**

(in thousands of Euro)

16. Property, Plant, and Equipment

The movement in property, plant, and equipment for the periods ended 31 December 2019 was as follows:

	Buildings and related improvements	Right of use	Equipment and software	Vehicles	Total
Gross carrying amount					
As of 1 January 2019	**6,212**	**-**	**1,531**	**976**	**8,719**
Additions	-	286	354	251	891
Transfer from investment property	2,347	-	-	-	2,347
Transfer to investment property	(1,008)	-	-	-	(1,008)
Disposals, impairments, and other decreases		-	(84)	(293)	(377)
As of 31 December 2019	**7,551**	**286**	**1,801**	**934**	**10,572**
Accumulated Depreciation					
As of 1 January 2019	**555**	**-**	**1,091**	**361**	**2,007**
Charge for the period	274	37	129	220	660
Transfer to investment property	(43)	-	-	-	(43)
Disposals, impairments, and other decreases		-	(12)	(199)	(211)
As of 31 December 2019	**786**	**37**	**1,208**	**382**	**2,413**
Net book value as of 31 December 2019	**6,765**	**249**	**593**	**552**	**8,159**

17. Investment Property

Investment properties that are owned by the Group are office and commercial space, including property under construction:

Investment property can be split up as follows:

	31 December 2020	31 December 2019
Completed investment property	1,879,173	2,003,188
Investment property under construction	62,909	84,080
Investment property landbank at cost	140,367	115,277
Right of use of lands under perpetual usufruct	42,679	44,485
Total	**2,125,128**	**2,247,030**

(in thousands of Euro)

17. Investment Property (continued)

The movement in investment property for the periods ended 31 December 2020 and 31 December 2019 was as follows:

	Right of Use of land	Level 2	Level 3 at fair value	Level 3 at Cost	Total
Carrying amount as of 1 January 2019	**-**	**1,377,317**	**616,779**	**118,972**	**2,113,068**
Capitalised subsequent expenditure	-	13,745	110,985	2,460	127,190
Recognition of right of use of lands under perpetual usufruct	45,362	-	-		45,362
Adjustment to fair value / (impairment)	-	1,246	13,709	850	15,805
Amortization of right of use of lands under perpetual usufruct	(441)	-	-	-	(441)
Classified to assets for own use, net	-	(899)	(301)	-	(1,200)
Disposals	(712)	(43,973)	-	(7,050)	(51,735)
Foreign exchange differences	276	(1,339)	-	44	(1,019)
Carrying amount as of 31 December 2019	**44,485**	**1,346,097**	**741,172**	**115,276**	**2,247,030**
Reclassification (*)	-	(7,799)	-	7,799	-
Capitalised subsequent expenditure	-	11,446	48,184	8,065	67,695
Purchase of completed assets and land		5,600	-	16,502	22,102
Adjustment to fair value / (impairment)	-	(84,904)	(52,844)	(3,165)	(140,913)
Amortization of right of use of lands under perpetual usufruct	(440)	-	-	-	(440)
Increase	96	-	-	-	96
Reclassified to assets held for sale (**)	-	-	-	(900)	(900)
Disposals (***)	-	(62,649)	-	(500)	(63,149)
Foreign exchange differences	(1,462)	(4,830)	-	(101)	(6,393)
Carrying amount as of 31 December 2020	**42,679**	**1,202,961**	**736,512**	**142,976**	**2,125,128**

(*) Mainly Center Point 3 building, which was demolished and reclassified to cost of land;
(**) Land in Ukraine (Euro 0.9 million);
(***) Sale of Spiral office building in Hungary (Euro 62.6 million) and sale of Russe land in Bulgaria (Euro 0.5 million).

(in thousands of Euro)

17. Investment Property (continued)

Reconciliation between capitalized subsequent expenditure and paid subsequent expenditure is presented below:

	Year ended 31 December 2020	Year ended 31 December 2019
Capitalized subsequent expenditure	**67,695**	**127,190**
Change in trade payables and provisions	12,347	14,148
Change in trade receivables	(1,762)	4,555
Purchase of property, plant, and equipment	248	-
Accrued interest on long term loans	-	(1,205)
Paid subsequent expenditure	**78,528**	**144,688**

Fair value and impairment adjustment consists of the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Adjustment to fair value of completed investment properties (*)	(144,126)	(1,697)
Adjustment to the fair value of investment properties under construction	6,378	16,652
Reversal of impairment/(Impairment) adjustment	(3,165)	850
Total adjustment to fair value / (impairment) of investment property	**(140,913)**	**15,805**
Reversal of impairment/(Impairment) of assets held for sale	(172)	1,437
Amortization of right of use of lands under perpetual usufruct (including on residential landbank)	(478)	(471)
Impairment of residential landbank	(1,158)	(581)
Total recognised in profit or loss	**(142,721)**	**16,190**

(*) During the financial year end 31 December 2020, the Covid-19 pandemic has triggered a wave of strong negative effects on the markets that the Group operates. As a result of this, the valuations prepared by independent appraisers over the completed investment properties has been negatively affected primarily driven by the group retail assets. For further information on the COVID-19 pandemic impact over the business of the Group please see note 36.

(in thousands of Euro)

17. Investment Property (continued)

Segment analysis of adjustment to fair value of completed investment properties is presented below:

	Year ended 31 December 2020	Year ended 31 December 2019
Poland	(77,153)	(18,326)
Belgrade	(42,818)	(15,368)
Budapest	12,610	19,928
Bucharest	(19,362)	(356)
Zagreb	(6,353)	1,513
Sofia	(11,050)	10,912
Total adjustment to fair value of completed assets	**(144,126)**	**(1,697)**

Assumptions used in the fair value valuations of completed assets as of 31 December 2020 are presented below:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV	Fair Value Hierarchy Level	Average Yield
	'000 Euro	sqm	%	Euro/ sqm/m	Euro/ sqm/m		%
Poland retail	443,000	113	93%	20.9	20.8	2	6.2%
Poland office	381,738	196	88%	14.6	14.3	2	8.2%
Belgrade office	264,781	122	93%	16.7	16.2	3	8.6%
Belgrade retail	90,700	35	97%	22.0	19.6	3	8.5%
Budapest office	206,138	97	95%	14.2	13.8	2	7.5%
Bucharest office	172,085	67	93%	20.5	17.7	2	7.7%
Zagreb retail	99,512	35	97%	20.2	20.6	3	7.9%
Zagreb office	44,719	21	76%	14.3	14.6	3	7.6%
Sofia office	75,800	34	79%	14.6	14.6	3	7.8%
Sofia retail	100,700	33	98%	18.8	20.8	3	7.8%
Total	**1,879,173**	**753**	**91%**	**17.2**	**16.7**		**7.8%**

(in thousands of Euro)

17. Investment Property (continued)

Assumptions used in the fair value valuations of completed assets as of 31 December 2019 are presented below:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV	Fair Value Hierarchy Level	Average Yield
	'000 Euro	sqm	%	Euro/ sqm/m	Euro/ sqm/m		%
Poland retail	497,370	113	94%	21.7	21.7	2	5.6%
Poland office	398,888	196	92%	14.4	14.1	2	7.4%
Belgrade office	263,081	117	98%	16.9	16.6	3	8.1%
Belgrade retail	119,300	35	97%	20.8	21.5	3	7.1%
Budapest office	259,419	125	97%	12.9	13.9	2	7.3%
Bucharest office	190,418	67	96%	19.0	19.4	2	7.4%
Zagreb retail	104,812	35	99%	20.7	20.1	3	6.7%
Zagreb office	24,500	11	89%	13.3	14.6	3	7.5%
Sofia office	36,800	16	99%	14.0	14.1	3	7.3%
Sofia retail	108,600	33	98%	21.3	20.8	3	7.6%
Total	**2,003,188**	**748**	**95%**	**17.0**	**17.0**		**7.0%**

(*) ERV- Estimated Rent Value (the open market rent value that a property can be reasonably expected to attain based on characteristics such as a condition of the property, amenities, location, and local market conditions)

Information regarding investment properties under construction as of 31 December 2020 is presented below:

	Book value	Estimated area (GLA)
	'000 Euro	thousand sqm
Budapest (Pillar)	60,300	29
Sofia (Sofia Tower 2)	2,609	8
Total	**62,909**	**37**

Information regarding investment properties under construction as of 31 December 2019 is presented below:

	Book value	Estimated area (GLA)
	'000 Euro	thousand sqm
Belgrade (Green Heart N3)	10,310	5
Sofia (ABC II)	20,670	18
Budapest (Pillar)	36,600	29
Zagreb (Matrix II)	16,500	11
Total	**84,080**	**63**

(in thousands of Euro)

17. Investment Property (continued)

Information regarding book value of investment property landbank for construction as of 31 December 2020 and 31 December 2019 is presented below:

	31 December 2020	31 December 2019
Poland	37,961	38,148
Serbia	10,164	7,052
Hungary	49,895	25,398
Romania	15,500	15,256
Croatia	14,638	14,097
Total	**128,158**	**99,951**

Information regarding book value of investment property landbank (long term pipeline – with no current plan for construction) as of 31 December 2020 and 31 December 2019 is presented below:

	31 December 2020	31 December 2019
Poland	8,859	7,969
Hungary	3,350	3,400
Bulgaria	-	1,900
Ukraine	-	2,057
Total	**12,209**	**15,326**
GRAND TOTAL	**140,367**	**115,277**

(in thousands of Euro)

18. Residential landbank

The movement in residential landbank and inventory for the period ended 31 December 2020 was as follows:

	Residential landbank	Total
Carrying amount as of 1 January 2019	**12,698**	**12,698**
Recognition of right of use	1,219	1,219
Amortization of right of use of lands under perpetual usufruct	(29)	(29)
Capitalised subsequent expenditure	81	81
Impairment of residential landbank	(581)	(581)
Carrying amount as of 31 December 2019	**13,388**	**13,388**
Amortization of right of use of lands under perpetual usufruct	(36)	(36)
Disposal	(1,420)	(1,420)
Reclassified to assets held for sale	(680)	(680)
Impairment of residential landbank	(1,158)	(1,158)
Carrying amount as of 31 December 2020	**10,094**	**10,094**

The carrying amount of residential landbank as of 31 December 2020 refers to two non-core land plots designated for residential development, in Marlera (Croatia) and Bucharest (Romania).

19. Derivatives

The Group holds instruments (IRS, CAP, currency SWAP and cross-currency interest rate SWAP) that hedge the risk involved in fluctuations of interest rate and currencies rates. The instruments hedge interest on loans for a period of 2-5 years

The movement in derivatives for the years ended 31 December 2020 and 31 December 2019 was as follows:

	31 December 2020	31 December 2019
Fair value as of the beginning of the year	**(6,085)**	**(5,623)**
Charged to other comprehensive income (*)	(7,748)	(462)
Charged to income statements (**)	(5,427)	-
Fair value as of the end of the year	**(19,260)**	**(6,085)**

(*) Increase is mainly attributable to the new cross-currency swap established as per note 9.
(**) This loss offset a foreign exchange differences profit in an amount of Euro 5,427 on bonds nominated in PLN and HUF.

For more information regarding derivatives, see note 35.

20. Trade and other payables

The balance of trade and other payables decreased from Euro 37,290 to Euro 27,299 in the year ended 31 December 2020.

The majority of the payables relate to development activity payables in Green Heart, ABC, and Pillar. The amount is planned to be financed mostly by long term loans.

21. Blocked deposits

Blocked deposits include deposits related to loan agreements and other contractual commitments and can be used only for certain operating activities as determined by underlying agreements.

Blocked deposits related to contractual commitments include mostly tenants' deposit account, security account, capex accounts, and deposits in order to settle contractual commitments related to the construction of this project.

22. Cash and cash equivalents

Cash balance consists of cash in banks. Cash at banks earns interest at floating rates based on periodical bank deposit rates. Except for minor amounts, all cash is deposited in banks.

All cash and cash equivalents are available for use by the Group.

23. Other expenses

Other expenses relate mainly to one-off expenses as well as unrecoverable VAT and maintenance costs related to undeveloped land.

24. Deposits from tenants

Deposits from tenants represent amounts deposited by tenants to guarantee their performance of their obligations under tenancy agreements. Deposits from tenants that shall be returned within a year are presented within current liabilities.

25. Long term payables

Long term payables consist long term commitments related to the purchase of land and development of infrastructure.

(in thousands of Euro)

26. VAT and other tax receivable

VAT and other tax receivable represent VAT receivable on the purchase of assets and due to development activity.

27. Non-controlling interest

Summarised financial information of the material non-controlling interest as of 31 December 2020 is presented below:

	Avenue Mall	Non-core projects	Total
Non-current assets	138,366	2,153	140,519
Current assets	3,338	721	4,059
Total assets	**141,704**	**2,874**	**144,578**
Equity	79,347	(21,799)	57,548
Non-current liabilities	58,869	24,670	83,539
Current liabilities	3,488	3	3,491
Total equity and liabilities	**141,704**	**2,874**	**144,578**
Revenue	9,280	-	9,280
Profit /(loss) for the year	(290)	(1,755)	(2,045)
NCI share in equity	**23,804**	**(7,266)**	**16,538**
Loan granted to NCI	**(11,252)**	**-**	**(11,252)**
NCI share in profit / (loss)	**(87)**	**(585)**	**(672)**

In September 2020, the Group acquired the remaining 20% in Marlera Golf LD d.o.o. for a consideration of Euro 2.8 million.

Summarised financial information of the material non-controlling interest as of 31 December 2019 is presented below:

	Avenue Mall	Non-core projects	Total
Non-current assets	142,740	13,388	156,128
Current assets	3,268	92	3,360
Total assets	**146,008**	**13,480**	**159,488**
Equity	81,034	(37,992)	43,042
Non-current liabilities	61,711	51,225	112,936
Current liabilities	3,263	247	3,510
Total equity and liabilities	**146,008**	**13,480**	**159,488**
Revenue	10,953	-	10,953
Profit /(loss) for the year	4,546	(2,934)	1,612
NCI share in equity	**24,310**	**(10,270)**	**14,040**
Loan granted to NCI	**(10,976)**	**-**	**(10,976)**
NCI share in profit / (loss)	**1,364**	**(768)**	**596**

(in thousands of Euro)

28. Long-term loans and bonds

	31 December 2020	31 December 2019
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	48,117	52,140
Green bonds mature in 2027-2030 (HU0000360102GTC)	108,614	-
Bonds 0320 (PLGTC0000235)	-	18,671
Bonds 0620 (PLGTC0000243)	-	40,070
Bonds 1220 (PLGTC0000268)	-	10,117
Bonds 0321 (PLGTC0000276)	20,737	20,737
Bonds 0422 (PLGTC0000292)	9,515	9,515
Loan from Santander (Globis Poznan)	16,951	17,579
Loan from Santander (Korona Business Park)	41,966	43,361
Loan from PKO BP (Pixel)	19,224	19,901
Loan from Santander (Globis Wroclaw)	21,368	22,061
Loan from Berlin Hyp (Corius)	10,036	10,378
Loan from Pekao (Sterlinga)	15,138	15,663
Loan from Pekao (Galeria Polnocna)	175,404	189,904
Loan from PKO BP (Artico)	13,848	14,359
Loan from Erste and Raiffeisen (Galeria Jurajska)	125,125	-
Loan from Pekao (Galeria Jurajska)	-	84,136
Loan from Berlin Hyp (UBP)	42,413	43,283
Loan from ING (Francuska)	18,929	21,577
Loan from OTP (Centre Point)	49,669	51,476
Loan from CIB (Metro)	13,277	14,437
Loan from Erste (Spiral)	-	20,593
Loan from UniCredit Bank (Kompakt)	13,718	-
Loan from OTP (Duna)	38,518	39,919
Loan from Erste (GTC House)	14,820	15,444
Loan from Erste (19 Avenue)	21,510	22,504
Loan from OTP (BBC)	20,985	21,790
Loan from Intesa Bank (Green Heart)	55,907	53,642
Loan from Raiffeisen Bank (Forty one)	36,295	38,148
Loan from Intesa Bank (Ada)	58,256	61,571
Loan from Erste (City Gate)	71,951	75,113
Loan from Banca Transilvania (Cascade)	3,797	4,118
Loan from Alpha Bank (Premium)	14,486	15,873
Loan from OTP (Mall of Sofia)	54,668	57,125
Loan from UniCredit (ABC I)	18,816	19,800
Loan from UniCredit (ABC II)	19,622	2,217
Loan from Erste (Matrix)	21,921	11,485
Loan from Zagrabecka Banka (Avenue Mall Zagreb)	44,000	46,000
Loans from NCI	8,529	8,283
Deferred issuance debt expenses	(6,838)	(6,768)
	1,261,292	**1,206,222**

(in thousands of Euro)

28. Long-term loans and bonds (continued)

Long-term loans and bonds have been separated into the current portion and the long-term portion as disclosed below:

	31 December 2020	31 December 2019
Current portion of long term loans and bonds:		
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	442	479
Bonds 0320 (PLGTC0000235)	-	18,671
Bonds 0620 (PLGTC0000243)	-	40,070
Bonds 1220 (PLGTC0000268)	-	10,117
Bonds 0321 (PLGTC0000276)	20,737	243
Bonds 0422 (PLGTC0000292)	75	75
Loan from Santander (Globis Poznan)	629	449
Loan from Santander (Korona Business Park)	1,395	1,395
Loan from PKO BP (Pixel)	19,224	677
Loan from Berlin Hyp (UBP)	870	870
Loan from Erste and Raiffeisen (Galeria Jurajska)	4,875	
Loan from Pekao (Galeria Jurajska)	-	84,136
Loan from Santander (Globis Wroclaw)	693	693
Loan from Berlin Hyp (Corius)	10,036	342
Loan from Pekao (Sterlinga)	15,138	525
Loan from PKO BP (Artico)	510	510
Loan from Pekao (Galeria Polnocna)	5,000	5,000
Loan from ING (Francuska)	18,929	21,577
Loan from OTP (Centre Point)	1,807	1,807
Loan from OTP (Duna)	1,401	1,401
Loan from CIB (Metro)	1,172	14,437
Loan from Erste (Spiral)	-	1,446
Loan from Erste (GTC House)	624	624
Loan from Erste (19 Avenue)	994	994
Loan from Intesa Bank (Green Heart)	2,873	2,367
Loan from OTP (BBC)	805	805
Loan from Raiffeisen Bank (Forty one)	1,853	1,853
Loan from Intesa Bank (Ada)	3,473	3,315
Loan from OTP (Mall of Sofia)	2,457	2,457
Loan from UniCredit (ABC I)	816	1,000
Loan from UniCredit (ABC II)	801	58
Loan from Zagrabecka Banka (Avenue Mall Zagreb)	2,000	2,000
Loan from Erste (Matrix)	580	524
Loan from Alpha Bank (Premium)	1,025	1,025
Loan from Banca Transilvania (Cascade)	240	240
Loan from Erste (City Gate)	71,951	3,168
	193,425	**225,350**

(in thousands of Euro)

28. Long-term loans and bonds (continued)

	31 December 2020	31 December 2019
Long term portion of long term loans and bonds:		
Bonds mature in 2022-2023 (Poland) (PLGTC0000318)	47,675	51,661
Bonds 0422 (PLGTC0000292)	9,440	9,440
Green bonds mature in 2027-2030 (HU0000360102GTC)	108,614	-
Bonds 0321 (PLGTC0000276)	-	20,494
Loan from Santander (Globis Poznan)	16,322	17,130
Loan from Santander (Korona Business Park)	40,571	41,966
Loan from PKO BP (Pixel)	-	19,224
Loan from Santander (Globis Wroclaw)	20,675	21,368
Loan from Berlin Hyp (Corius)	-	10,036
Loan from Pekao (Sterlinga)	-	15,138
Loan from Pekao (Galeria Polnocna)	170,404	184,904
Loan from PKO BP (Artico)	13,338	13,849
Loan from Erste and Raiffeisen (Galeria Jurajska)	120,250	-
Loan from Berlin Hyp (UBP)	41,543	42,413
Loan from OTP (Centre Point)	47,862	49,669
Loan from CIB (Metro)	12,105	-
Loan from OTP (Duna)	37,117	38,518
Loan from Erste (Spiral)	-	19,147
Loan from UniCredit Bank (Kompakt)	13,718	-
Loan from Erste (GTC House)	14,196	14,820
Loan from Erste (19 Avenue)	20,516	21,510
Loan from Intesa Bank (Green Heart)	53,034	51,275
Loan from Intesa Bank (Ada)	54,783	58,256
Loan from OTP (BBC)	20,180	20,985
Loan from Raiffeisen Bank (Forty one)	34,442	36,295
Loan from Erste (City Gate)	-	71,945
Loan from Banca Transilvania (Cascade)	3,557	3,878
Loan from Alpha Bank (Premium)	13,461	14,848
Loan from OTP (Mall of Sofia)	52,211	54,668
Loan from UniCredit (ABC I)	18,000	18,800
Loan from UniCredit (ABC II)	18,821	2,159
Loan from Zagrabecka Banka (Avenue Mall Zagreb)	42,000	44,000
Loan from Erste (Matrix)	21,341	10,961
Loans from NCI	8,529	8,283
Deferred issuance debt expenses	(6,838)	(6,768)
	1,067,867	**980,872**

28. Long-term loans and bonds (continued)

As securities for the bank loans, the banks have mortgage over the assets and security deposits together with assignment of the associated receivables and insurance rights.

In its financing agreements with banks, the Group undertakes to comply with certain financial covenants that are listed in those agreements. The main covenants are: maintaining a Loan-to-Value and Debt Service Coverage ratios in the company that holds the project.

In addition, substantially, all investment properties and IPUC that were financed by a lender have been pledged to secure the long-term loans from banks. Unless otherwise stated, fair value of the pledged assets exceeds the carrying value of the related loans.

Bonds (series matures in 2022-2023) are nominated in PLN. Green Bonds (series matures in 2027-2030) are denominated in HUF. All other bank loans and bonds are denominated in Euro.

In its financing agreements with banks, the Company undertakes to comply with certain financial covenants that are listed in those agreement. The main covenants are: maintaining a Loan-to-Value and Debt Service Coverage ratios in the company that holds the project. With respect to a Euro 175,404 loan from Bank Pekao SA on 17 September 2020, a whole owned subsidiary of the Company, operating the Galeria Północna project, entered into an annex to a loan agreement with the bank in order to relax the DSCR (debt service coverage ratio) covenant and to cure the LTV (loan-to-value) covenant breach. According to the annex, the subsidiary repaid in advance a part of outstanding loan in the amount of EUR 9,500 and agreed to repay additionally up to €3,000 within 12 months of the date of the Annex. As of the date of these financial statements the financial covenants are cured.

With respect to a Euro 58.2 million loan from Banka Intesa ad Beograd, Vseobecna Uverova Banka a.s. and Privredna Banka Zagreb d.d. granted to a whole owned subsidiary of the Company, operating the Ada Shopping Mall, the DSCR covenant was waived by the banks until the end of June 2021.In addition the LTV (loan-to-value) covenant was waived by the banks until the end of December 2021.

With respect to a Euro 125.1 million loan from Erste Group Bank AG and Raiffeisenlandesbank Niederosterreich-Wien AG granted to a whole owned subsidiary of the Company, operating Galeria Jurajska Shopping Mall, the DSCR covenant was waived until the end of June 2021.

As at 31 December 2020, the Group continue to comply with the financial covenants set out in their loan agreements.

(in thousands of Euro)

28. Long-term loans and bonds (continued)

The movement in long term loans and bonds for the years ended 31 December 2020 and 31 December 2019 was as follows:

	31 December 2020	31 December 2019
Balance as of the beginning of the year (excluding deferred debt expenses)	**1,212,990**	**1,121,718**
Drawdowns	286,807	264,520
Repayments	(224,293)	(152,561)
Transactions with of non-controlling interest	-	(1,785)
Change in accrued interest	(73)	394
Deconsolidation of Neptune	-	(19,915)
Capitalization of interest	-	1,205
Foreign exchange differences	(7,301)	(586)
Balance as of end of the year (excluding deferred debt expenses)	**1,268,130**	**1,212,990**

29. Lease liability and Right of Use of land

Lease liabilities include mostly lease payments for land subject to perpetual usufruct payments and classified as land under investment property (completed, under construction, and landbank) and residential landbank.

The balance of Right of Use as of 31 December 2020 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total
Poland	10,722	22,021	-	-	32,743
Romania	6,211	-	-	-	6,211
Serbia	3,725	-	-	-	3,725
Croatia	-	-	1,140	-	1,140
Bulgaria	-	-	-	131	131
Hungary	-	-	-	74	74
Balance as of 31 Dec. 2020	**20,658**	**22,021**	**1,140**	**205**	**44,024**

(in thousands of Euro)

29. Lease liability and Right of Use of land (continued)

The balance of Right of Use as of 31 December 2019 was as follows:

Country	Completed investment property	Investment property under construction	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total
Poland	11,648	-	22,247	-	-	33,895
Romania	6,884	-	-	-	-	6,884
Serbia	3,606	100	-	-	-	3,706
Croatia	-	-	-	1,197	-	1,197
Bulgaria	-	-	-	-	179	179
Hungary	-	-	-	-	70	70
Balance as of 31 Dec. 2019	**22,138**	**100**	**22,247**	**1,197**	**249**	**45,931**

The balance of lease liability as of 31 December 2020 was as follows:

Country	Completed investment property	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total	Discount rate
Poland	10,722	21,003	-	-	31,725	4.2%
Romania	6,211	-	-	-	6,211	5.7%
Serbia	3,724	-	-	-	3,724	7.6%
Croatia	-	-	1,222	-	1,222	4.4%
Bulgaria				106	106	4.5%
Hungary	-	-	-	66	66	3.9%
Balance as of 31 Dec. 2020	**20,657**	**21,003**	**1,222**	**172**	**43,054**	

(in thousands of Euro)

29. Lease liability and Right of Use of land (continued)

The balance of lease liability as of 31 December 2019 was as follows:

Country	Completed investment property	Investment property under construction	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total	Discount rate
Poland	11,648	-	22,726	-	-	34,374	4.2%
Romania	6,884	-	-	-	-	6,884	5.7%
Serbia	3,606	100	-	-	-	3,706	7.6%
Croatia	-	-	-	1,225	-	1,225	4.4%
Bulgaria					179	179	4.5%
Hungary	-	-	-	-	62	62	3.9%
Balance as of 31 Dec. 2019	**22,138**	**100**	**22,726**	**1,225**	**241**	**46,430**	

The lease liabilities were discounted using discount rates applicable to long term borrowing in local currencies in the countries of where the assets are located.

The movement in Right of Use of land for the year ended 31 December 2020 and 31 December 2019 was as follows:

	2020	2019
Balance as of 1 January	**45,931**	**-**
Recognition of Right of Use asset for lands under perpetual usufruct	96	46,580
Recognition of Right of Use for property plant and equipment during the year	-	273
Amortization of right of use	(556)	(498)
Disposals	-	(712)
Foreign exchange differences	(1,447)	288
Balance as of 31 December	**44,024**	**45,931**

(in thousands of Euro)

29. Lease liability and Right of Use of land (continued)

The movement in lease liability for the year ended 31 December 2020 and 31 December 2019 was as follows:

	2020	2019
Balance as of 1 January	**46,430**	**-**
Recognition of lease liability for lands under perpetual usufruct	96	46,580
Recognition of Right of Use for property plant and equipment during the year	-	273
Payments of leases	(162)	(1,739)
Change in provision for disputable amounts of perpetual usufruct	(1,350)	(352)
Change in accrued interest	1,336	1,817
Disposals	-	(712)
Foreign exchange differences	(3,296)	563
Balance as of 31 December	**43,054**	**46,430**

The group pays an annual amount of EUR 2,300 as lease payment (principal and interest) for lands under perpetual usufruct.

30. Capital and Reserves

SHARE CAPITAL

As at 31 December 2020, the shares structure was as follows:

Number of Shares	Share series	Total value in PLN	Total value in Euro
139,286,210	A	13,928,621	3,153,995
1,152,240	B	115,224	20,253
235,440	B1	23,544	4,443
8,356,540	C	835,654	139,648
9,961,620	D	996,162	187,998
39,689,150	E	3,968,915	749,022
3,571,790	F	357,179	86,949
17,120,000	G	1,712,000	398,742
100,000,000	I	10,000,000	2,341,372
31,937,298	J	3,193,729	766,525
108,906,190	K	10,890,619	2,561,293
10,087,026	L	1,008,703	240,855
13,233,492	M	1,323,349	309,049
2,018,126	N	201,813	47,329
485,555,122		**48,555,512**	**11,007,473**

(in thousands of Euro)

30. Capital and Reserves (continued)

All shares are entitled to the same rights.

Shareholders who as at 31 December 2020, held above 5% of the Company shares were as follows:

- GTC Dutch Holdings B.V
- OFE PZU Zlota Jesien
- OFE AVIVA Santander

CAPITAL RESERVE

Capital reserve represents a loss attributed to non-controlling partners of the Group, which crystalized once the Group acquired the non-controlling interest in the subsidiaries of the Group.

RETAINED EARNING

On 27 August 2020, the Company held an ordinary shareholders meeting. It was decided that the profit for the year 2019 presented in the financial statements of Globe Trade Centre S.A. prepared in accordance with the International Financial Reporting Standards in the amount of PLN 321.8 million will remain within retained earnings.

31. Provision for share based payments

PHANTOM SHARES

Certain key management personnel of the Group is entitled to specific cash payments resulting from phantom shares in the Group (the “Phantom Shares”). The company uses binomial model to evaluate the fair value of the phantom shares. The input data includes date of valuation, strike price, and expiry date.

The Phantom shares (as presented in below mentioned table) have been accounted for based on future cash settlement.

Strike (PLN)	Blocked	Vested	Total
6.11	100,000	751,200	851,200
6.31	4,275,000	20,000	4,295,000
Total	**4,375,000**	**771,200**	**5,146,200**

(in thousands of Euro)

31. Provision for share based payments (continued)

As at 31 December 2020, phantom shares issued were as follows:

Last year of exercise date	Number of phantom shares
2021	500,000
2022	220,000
2023	4,426,200
Total	**5,146,200**

As at 31 December 2019, phantom shares issued were as follows:

Last year of exercise date	Number of phantom shares
2020	50,000
2021	1,837,400
2022	330,000
Total	**2,217,400**

The number of phantom shares were changed as follows:

Number of phantom shares as of 1 January 2020	**2,217,400**
Granted during the period	4,275,000
Exercised during the year	(1,346,200)
Number of phantom shares as of 31 December 2020	**5,146,200**

32. Earnings per share

Basic earnings per share were calculated as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Profit/(loss) for the period attributable to equity holders (Euro)	(70,189,000)	74,825,000
Weighted average number of shares for calculating basic earnings per share	485,555,122	484,659,406
Basic earnings per share (Euro)	(0.14)	0.15

There have been no potentially dilutive instruments as at 31 December 2020 and 31 December 2019.

(in thousands of Euro)

33. Related party transactions

Transactions with the related parties are arm's length transactions.

The transactions and balances with related parties are presented below:

	Year ended 31 December 2020	Year ended 31 December 2019
Transaction		
Asset management services	-	21
Financial arrangement fee	88	-

Management and Supervisory Board GTC S.A. remuneration for the year ended 31 December 2020 amounted to EUR 2.2 million, and 1,100,000 phantom shares were vested.

Management and Supervisory Board GTC S.A. remuneration for the year ended 31 December 2019 amounted to EUR 1.3 million, and 800,000 phantom shares were vested.

On 13 November 2020, GTC Future Kft, a newly established wholly owned subsidiary acquired a land plot from a subsidiary owned by the Company's majority shareholder with an existing old office and industrial buildings in Vaci Corridor in Budapest for a total amount of Euro 21.35 million. The buildings have a leasable area of 12,000 sqm. The Company plans to demolish the buildings and develop office buildings in phases with a total leasable area of 64,000 sqm.

34. Commitments, contingent liabilities and Guarantees

COMMITMENTS

As of 31 December 2020 (and as at 31 December 2019), the Group had commitments contracted for in relation to future building construction without specified date, amounting to Euro 40 million (Euro 77 million). These commitments are expected to be financed from available cash and current financing facilities, other external financing, or future instalments under already contracted sale agreements and yet to be contracted sale agreements.

GUARANTEES

GTC gave guarantees to third parties. As of 31 December 2020 and as at 31 December 2019, the guarantees granted amounted to 0.

Additionally, the Company gave typical warranties in connection with the sale of its assets under the sale agreements and construction completion and cost-overruns guarantee to secure construction loans. The risk involved in the above warranties and guarantees is very low.

34. Commitments, contingent liabilities and Guarantees (continued)

CROATIA

In relation to the Marlera Golf project in Croatia, part of the land is held on a lease basis from the State. There is furthermore a Consortium agreement with the Ministry of Tourism of Croatia (Ministry) which includes a deadline for the completion of a golf course that has expired in 2014. If the deadline is not met, then the Ministry has the right to terminate the Consortium agreement which might automatically trigger the termination of the Land Acquisition Agreements, as well as collateral activation and damages claims. Prior to 2014, the Company has taken active steps to achieve an extension of the period for completing the project. In February 2014, the Company received a draft amendment from the Ministry expressing its good faith and intentions to prolong the abovementioned timeline however, the amendment was not formalized since then. Since formalization of the amendment is not at the sole discretion of the Group, the Management has decided to revalue the freehold asset in assuming no development of the golf course project. Furthermore, as a prudential measure, the Management has also written off the related collateral in the amount of Euro 1 million provided to the Ministry as a guarantee for completing the golf course. As of 31 December 2020 the book value of the investment in Marlera Golf project was assessed by an independent valuer at €6.8 million.

35. Financial instruments and risk management

The Group's principal financial instruments comprise bank and shareholders' loans, bonds, hedging instruments, trade payables, and other long-term financial liabilities. The main purpose of these financial instruments is to finance the Group's operations. The Group has various financial assets such as trade receivables, loans granted, derivatives, and cash and short-term deposits.

The main risks arising from the Group's financial instruments are cash flow interest risk, liquidity risk, foreign currency risk, and credit risk.

INTEREST RATE RISK

The Group exposure to changes in interest rates that are not offset by hedge relates primarily to the Group's long-term debt obligations and loans granted.

The Group's policy is to obtain finance bearing variable interest rates. To manage the interest rate risk in a cost-efficient manner, the Group enters into interest rate swaps, swap currency, or cap transactions.

The majority of the Group's loans are nominated or swapped into Euro.

(in thousands of Euro)

35. Financial instruments and risk management (continued)

As at 31 December 2020, 95% of the Group's borrowings are hedged (As at 31 December 2019 – 95%).

A 50bp increase in EURIBOR rate would lead to Euro 2,022 change in loss before tax.

FOREIGN CURRENCY RISK

The Group enters into transactions in currencies other than the Group's functional currency. Therefore, it hedges the currency risk by either matching the currency of the inflow, outflow and cash and cash equivalent with that of the expenditures.

Exchange rates as of 31 December 2020 and 2019 were as following:

	31 December 2020	31 December 2019
PLN/EURO	4.6148	4.2585

The table below presents the sensitivity of profit (loss) before tax due to change in foreign exchange:

	2020 PLN/Euro				2019 PLN/Euro			
Rate/Percentage of change	**5.0763 (+10%)**	**4.8455 (+5%)**	**4.3841 (-5%)**	**4.1533 (-10%)**	**4.6844 (+10%)**	**4.4714 (+5%)**	**4.0456 (-5%)**	**3.8327 (-10%)**
Cash and blocked deposits	(4,303)	(2,151)	2,151	4,303	(8,105)	(4,053)	4,053	8,105
Trade and other receivables	(353)	(176)	176	353	(519)	(259)	259	519
Trade and other payables	1,052	526	(526)	(1,052)	818	409	(409)	(818)
Land leases	3,172	1,586	(1,586)	(3,172)	3,486	1,743	(1,743)	(3,486)

The Group does not see any credit risk related to bond denominated in PLN and HUF. Exposure to other currencies and other positions in the statement of financial position are not material.

CREDIT RISK

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation. To manage this risk, the Group periodically assesses the financial viability of its customers. The Group does not expect any counter parties to fail in meeting their obligations. The Group has no significant concentration of credit risk with any single counterparty or Group counterparties.

(in thousands of Euro)

35. Financial instruments and risk management (continued)

With respect to trade receivables and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that those will not meet their payment obligations.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and blocked deposits, the Group's exposure to credit risk equals the carrying amount of these instruments.

The maximum exposure to credit risk as of the reporting date is the full amount presented.

There are no material financial assets as of the reporting dates, which are overdue and not impaired. There are no significant financial assets impaired.

LIQUIDITY RISK

As at 31 December 2020, the Group holds Cash and Cash Equivalent (as defined in IFRS) in the amount of approximately EUR 272 million. As described above, the Group attempts to efficiently manage all its liabilities and is currently reviewing its funding plans related to: (i) debt servicing of its existing assets portfolio; (ii) capex; and (iii) development of commercial properties. Such funding will be sourced through available cash, operating income, sales of assets, and refinancing. The Management Board believes that based on its current assumptions, the Group will be able to settle all its liabilities for at least the next twelve months.

Repayments of long-term debt and interest are scheduled as follows (Euro million) (the amounts are not discounted):

	31 December 2020	31 December 2019
First year	218	251
Second year	211	189
Third year	204	199
Fourth year	272	198
Fifth year	155	270
Thereafter	292	196
	1,352	**1,303**

The above table does not contain payments relating to the market value of derivative instruments. The Group hedges significant parts of the interest risk related to floating interests rate with derivative instruments. Management plans to refinance some of the repayment amounts.

(in thousands of Euro)

35. Financial instruments and risk management (continued)

All derivative instruments mature within 1-5 years from the balance sheet date.

Maturity dates of current financial liabilities as of 31 December 2020 were as following:

	Total	Overdue	Up to a month	From a month to three months	From three months to one year
Investment and trade payables and provisions	27,299		6,289	5,905	15,105
Current portion of long-term borrowing	193,425		19,284	49,874	124,267
VAT and other taxes payable	1,551		1,551	-	-
Deposits from tenants	1,790		149	448	1,193
Lease liabilities	163			41	122
Income tax payable	4,220		76	11	4,133
Derivatives	3,365			841	2,524
	231,813	**-**	**27,349**	**57,120**	**147,344**

Some of loans, classified as current liabilities, were refinanced post balance sheet date (for details please refer to note 37).

Maturity dates of current financial liabilities as of 31 December 2019 were as following:

	Total	Overdue	Up to a month	From a month to three months	From three months to one year
Investment and trade payables and provisions	37,289		6,674	14,374	16,241
Current portion of long-term borrowing	225,350		1,965	111,172	112,213
VAT and other taxes payable	1,817		1,817	-	-
Deposits from tenants	1,605		117	433	1,055
Lease liabilities	208		-	52	156
Income tax payable	1,542		410	-	1,132
Derivatives	3,739		66	868	2,805
	271,550	**-**	**11,049**	**126,899**	**133,602**

35. Financial instruments and risk management (continued)

FAIR VALUE

As of 31 December 2020 and 2019, all bank loans bear floating interest rate (however, as of 31 December 2020 and 2019, 95% of loans are hedged). The fair value of the loans which is related to the floating component of the interest equals to the market rate.

Fair value of all other financial assets/liabilities is close to carrying value.

For the fair value of investment property, please refer to note 17.

FAIR VALUE HIERARCHY

As at 31 December 2020 and 2019, the Group held several hedge instruments carried at fair value on the statement of financial position.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Valuations of hedges are considered as level 2 fair value measurements. During the year ended 31 December 2020 and 31 December 2019, there were no transfers among Level 1 and Level 3 fair value measurements.

PRICE RISK

The Group is exposed to fluctuations of in the real estate markets in which it operates. These can have an effect on the Group's results (due to changes in the market rent rates and in occupancy of the leased properties). Further risks are detailed in the Management Report as of 31 December 2020.

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to provide for operational and value growth while prudently managing the capital and maintaining healthy capital ratios in order to support its business and maximise shareholder value.

(in thousands of Euro)

35. Financial instruments and risk management (continued)

The Group manages its capital structure and adjusts it to dynamic economic conditions. While observing the capital structure, the Group decides on leverage policy, loans raising and repayments, investment or divestment of assets, dividend policy, and capital raise, if needed.

No changes were made in the objectives, policies, or processes during the years ended 31 December 2020 and 31 December 2019.

The Group monitors its gearing ratio, which is Gross Project and Corporate Debt less Cash & Deposits, (as defined in IFRS) divided by its real estate investment value. The Group's policy is to maintain the loan-to-value ("LTV") ratio at the level not higher than 50%.

	31 December 202(	31 December 201(
(1) Loans, net of cash and deposits (*)	949,192	980,903
(2) Investment properties (exc. land leases), residential landbank, assets held for sale and building for own use	2,099,300	2,220,994
LTV [(1)/(2)]	**45.2%**	**44.2%**

(*) Excluding loans from non-controlling interest and deferred issuance debt expenses.

36. COVID-19

The COVID-19 pandemic has triggered a wave of strong negative effects on the global economy. The lockdowns brought a large part of the world's economic activity to an unparalleled standstill: consumers stayed home, companies lost revenue, and terminated employees – which, consequently, led to a rise in unemployment. Rescue packages by national governments and the EU, as well as supporting monetary policies by the European Central Bank have been implemented to moderate the economic impact of the pandemic. However, the scope and duration of the pandemic and possible future containment measures are still impossible to predict. From mid-March 2020, it became apparent that the economic disruptions caused by the Covid-19 virus and the increased market uncertainty combined with increased volatility in the financial markets might lead to a potential decrease in rental revenues, a potential decrease in the Company assets' values, as well as impact on the Company's compliance with financial covenants. While the exact effect of the coronavirus is still to be determined, it is clear that it poses substantial risks.

36. COVID-19 (continued)

CLOSING AND REOPENING OF THE GROUP'S SHOPPING CENTRES

The COVID-19 pandemic has significantly impacted the Company's business. Following the outbreak of the COVID-19 pandemic, the authorities in many of the markets the Group operates in imposed restrictions on the opening of its shopping centres. Except for select "essential" retailers, or those able to offer curb side pickup or fulfill delivery orders from the store. The tenants in the Group's centres were unable to trade for a period beginning mid-March and ending between beginning-May and end-May depending on the country, and later in the period between beginning-November and ending end-December and end-January. In addition, even in those regions in which there were no mandatory shutdowns, or when shopping centres were allowed to reopen, not all retailers continued or restarted operations. As at 31 December 2020, shopping centres in Poland and Bulgaria were closed. These centres contributed 69% of total retail rental revenue for 2020.

RENT DISCOUNTS AND COLLECTION

In several countries of our operations, governments adopted tenant support packages, such as a rental payments holiday in Poland for the period of lockdown or rent support through subsidizing part of any rental discounts. Upon the re-opening of its shopping centres, the Group engaged tenants in discussions about collecting rent and service charges as well as the terms of any support by the Group. The Group implemented multi-pronged measures to support tenants and encourage consumer spendings, such as reducing rent, allowing rent payment in instalments, waiving late payment interest and service charges. The financial impact of this in terms of loss of rent and service income related to the COVID-19 amounted to Euro 14,700. Overall, we have collected 99% of the rent originally due for the year ended 31 December 2020 (99% for offices and 97% for retail).

VALUATION OF INVESTMENT PROPERTIES

As for each year end, investment properties have been valued by external independent appraisers as described in the Note 17 Investment properties. Those appraisals have been performed in a context of the current COVID-19 pandemic characterised by lack of transactions since the outbreak of the pandemic and difficulties to estimate future market prospects.

The increased uncertainty and increased volatility in the financial markets have negatively affected the investment properties of the Group and might have an effect in the future asset valuations, as well as impact on the Company's compliance with financial covenants. While the exact effect of the coronavirus is unknown and unknowable, it is clear that it poses substantial risks of reduction of income, increasing yields, increasing collection costs, and FX volatility.

36. COVID-19 (continued)

During the financial year end 31 December 2020, the valuation of the investment properties decreased by EUR 142,721 (for details please refer to note 17).

LIQUIDITY POSITION

During the COVID-19 pandemic, the Group took immediate steps to preserve its strong liquidity position in light of the uncertain impact of the pandemic. These steps included cost and CAPEX measures, as well as the decision to retain profit for the year ended 31 December 2019 in the Company. As of 31 December 2020, the Group holds cash in the amount of EUR 271,996.

The Group runs stress tests, which indicated that the going concern assumption remains valid for at least 12 months from the financial statement publication date.

The Group is continuously assessing the situation and undertakes mitigating steps to reduce the impact that may be caused by the adverse market situation.

37. Subsequent events

On 8 January 2021, GTC Pixel and GTC Francuska signed a loan agreement with Santander Bank Polska, which refinanced the existing loans. GTC Pixel repaid the loan in PKO BP in amount of EUR 19.2 million and obtained the new loan in Santander Bank Polska in amount of Euro 19.7 million. GTC Francuska repaid the loan in ING in amount of EUR 18.9 million and obtained the new loan in Santander Bank Polska in amount of Euro 19.3 million.

On 5 March 2021 Globe Office Investments Ltd an indirect wholly-owned subsidiary of the company signed a sale and purchase agreement with a company related to the majority shareholder of the Company for the purpose of acquisition of a Class A office building on Váci corridor, Budapest for a consideration of EUR 51 million. Subsequently on 19 March 2021 a loan agreement in the amount of EUR 25 million with Erste Group Bank AG was signed for the purpose of financing the acquisition. The transaction is expected to be close during Q2 2021 upon certain conditions precedents are fulfilled.

On 5 March 2021, GTC SA repaid all bonds issued under ISIN code PLGTC0000276 (full redemption). The original nominal value was EUR 20,494.

37. Subsequent events (continued)

On 11 March 2021 GTC Real Estate Development Hungary Zrt, a wholly-owned subsidiary of the Company and Groton Global Corp signed a sale and purchase agreement for the purpose of acquisition of the Napred company from Belgrade holding a land plot of 19,537 sqm for a consideration of EUR 33.8 million. The site has potential office development of cca 79,000 sqm. The transaction is expected to be finalized during Q2 2021 upon certain conditions precedents are fulfilled.

On 17 March 2021, GTC Real Estate Development Hungary Zrt. , a wholly-owned subsidiary of the Company issued 10-year green bonds with the total nominal value of 53.8 million euro denominated in HUF to finance real estate acquistions , redevelopment and constructions of projects. . The bonds are fully and irrevocable guaranteed by the Company and were issued at a yield of 2.68% with an annual fixed coupon of 2.6%. The bonds are amortized 10% a year starting on the 7th year with the 70% of the value paid at the maturity on 17 March 2031.

On 17 March 2021, GTC Real Estate Development Hungary Zrt. a wholly-owned subsidiary of the Company entered into cross-currency interest swap agreements with two different banks to hedge the total green bonds liability against foreign exchange fluctuations. The green bonds were fixed to the Euro, and the fixed annual coupon was swapped for an average annual interest fixed rate of 0.93%.

As of 17 March 2021, the Polish government has announced a lockdown from 20 March 2021 till 9 April 2021 and implemented rigorous measures to contain the spread of COVID-19, including, among others, the closure of shops in shopping malls, except those selling essential goods (such as groceries, other food stores and pharmacies). Measures taken by the government will affect our business. The currently known impact is a decline in revenues of shopping malls. The magnitude of the impact is not yet fully known and will depend between the others, on the length of the closure.

On 18 March 2021 Erste Group Bank AG, Raiffeisenlandesbank Niederosterreich-Wien AG and GTC CTWA Sp. z o.o., a wholly-owned subsidiary of the Company, operating Galeria Jurajska Shopping Mall, signed a waiver letter, according to which the DSCR covenant was waived until the end of September 2022 and a prepayment of EUR 5 million will be done by the end of March 2021.

On 19 March 2021 City Gate SRL and City Gate Bucharest SRL wholly-owned subsidiaries of the Company signed on loan agreement prolongation with Erste Group Bank AG, for additional 5 years.

37. Subsequent events (continued)

On 19 March 2021, Commercial Development d.o.o. Beograd, a wholly-owned subsidiary of the Company, operating Ada Mall, and Intesa Bank signed a restated loan agreement whereby the existing loan in the amount of EUR 58.3 million shall be early prepaid by 31 March 2021 in the amount of EUR 29 million and margin reduced from 3.15% to 2.9%. Following the prepayment, the outstanding loan amount shall be payable in full at maturity in 2029.

38. Approval of the financial statements

The financial statements were authorised for issue by the Management Board on 22 March 2021.

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Independent Auditor's Report

to the General Meeting and Supervisory Board of Globe Trade Centre S.A.

Report on the Audit of the Year-end Consolidated Financial Statements

Opinion

We have audited the annual consolidated financial statements of the group, where the parent company is Globe Trade Centre S.A. located in Warsaw at Komitetu Obrony Robotników 45A ("the Company") ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as notes to the consolidated financial statements including a description of accounting methods and other explanations ("the consolidated financial statements").

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the Group's consolidated financial position as at 31 December 2020, as well as of its consolidated financial result and consolidated cash flows for the year then ended, in accordance with the applicable International Financial Reporting Standards endorsed by the European Union, as well as the adopted accounting methods (policies);
- are consistent, in content and in form, with the applicable laws and regulations and with the Company's Statute.

The present opinion is consistent with the additional report to the Audit Committee, which we issued on 22 March 2021.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing adopted by the National Council of Certified Auditors as National Standards on Auditing ("NSA") and in compliance with the Act on Certified Auditors, Audit Firms and on Public Oversight ("the Certified Auditors Act" – 2020 Journal of Laws, item 1415) and Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public interest entities ("Regulation EU" – OJ L 158). Our responsibilities under those standards are further described in the *"Responsibilities of the Auditor for the Audit of the Consolidated Financial Statements"* section of this report.

We are independent of the Group's companies in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants ("the IESBA Code") and adopted by resolutions of the National Chamber of Certified Auditors, and with other ethical requirements relevant to the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During the audit, the auditor in charge and the audit firm remained independent of the Company in accordance with the independence requirements laid down in the Certified Auditors Act and Regulation EU.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in the audit of the consolidated financial statements for the current reporting period. They include the most significant assessed types of risks of material misstatements, including assessed types of risks of material misstatements resulting from fraud. We addressed these matters in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and have summarized our response to these types of risks, and where relevant, presented our key observations relating to those risks. We do not express a separate opinion on these matters.

1 Valuation of investment property

Investment property amounts to 2,125,128 thousand euro and constitutes more than 85% of total assets of the Group as at 31 December 2020 (31 December 2019: over 89%). It comprises mainly of two categories: completed investment property, which are measured at fair value and investment property under construction, measured either at cost or at fair value, if certain criteria specified in the Group's accounting policies are met.

The fair value of the investment property depends in general on external valuations, which take into account the Company Management's judgements, assumptions and estimates such as current and expected future rents, occupancy levels, rent-free periods and expected market yields. Inputs used to determine the fair value of the Group's investment property are classified into Levels 2 and 3 of the fair value hierarchy.

The valuations have been performed by third party appraisers. The appraisers were engaged by the Group to carry out the valuations in accordance with applicable valuation and professional standards.

We consider valuation of investment property as a key audit matter taking into account the significant impact on the Group's financial statements as well as high dependency on estimates and judgements of the Group's Management and valuation experts.

Disclosures in the Financial Statements

The disclosures and accounting policies relating to the valuation of investment property, incl. assumptions made, are presented in notes 7c, 7d, 17 and 36 of the consolidated financial statements.

Audit Procedures Performed in Response to the Risk

We documented our understanding of the investment valuation process. We also discussed with the Management current situation in markets where the Group operates in. We engaged our internal real estate and valuation specialists to verify properties' valuations performed by the Group.

Our audit procedures included, among others, the following:

- understanding of the process and control systems related to valuation of both investment property and investment property under construction;

- evaluation of the objectivity and expertise of the external appraisers;

- analysis of the properties selected on a sample basis, including assets that are of the highest value or those showing significant changes in carrying value;

- review of the valuation reports and applied valuation models for selected properties and assessment of valuation approach used for determining the carrying value;

- substantive audit procedures to evaluate the accuracy of the property information provided to the appraisers by the Management, as well as verification of mathematical accuracy of the valuation models;

- evaluation of the appropriateness of the property related data for selected properties, including estimates as used by the external appraisers, in particular, comparison of the applied investment yields to an expected estimated range, including reference to published benchmarks;

- assessment of other assumptions that are not so readily comparable with published benchmarks, such as Estimated Rent Value, void rates and periods. Where assumptions were outside the expected range or otherwise unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, held further discussions with the external appraisers and the Management;

- analytical review, including the reasonableness of fair value movements in comparison with expectations built on the knowledge gained during the audit process;

- assessment of the appropriateness and completeness of the disclosures relating to the investment property valuation presented in notes of the consolidated financial statements.

2 Financing and debt covenants

The outstanding bonds, loans and borrowings amount to 1,261,292 thousand euro and constitute 50.8% of total assets of the Group as at 31 December 2020 (31 December 2019: 47.8%). For the majority of loans and bonds, the entities of the Group have to meet certain covenants specified in the loan and bond agreements.

Covenants' calculation depends to a large extent on investment property valuations as described in "Valuation of investment property" point above. These valuations are based on estimates and assumptions, including expectations of future economic and market developments which may be uncertain and, therefore, may change in the future. Additionally, the ability of the Group's entities to meet debt covenants in the foreseeable future may depend also on events after reporting date, including effect of the Covid-19 pandemic. Finally, covenants' calculation results may affect the Group's liquidity, as well as current and non-current liabilities presentation.

The availability of adequate financing and the assessment whether the Group will continue to meet its financial covenants are significant aspects of our audit due to possible impact on the Group's ability to continue as a going concern. Therefore, we consider this to be a key audit matter.

Disclosures in the Financial Statements

The disclosures regarding the covenants, loan and bond agreements and amendments are presented in notes 9, 28 and 37 of the consolidated financial statements. In the notes 4 and 36 the Group presented its assessment of the going concern assumption, including Covid-19 effects on the Group's operations, financial position and performance.

Audit Procedures Performed in Response to the Risk

We documented our understanding of the financing process and the Group's control systems on the debt covenants' compliance and liquidity management. We also documented our understanding of the Group Management's calculation process of the debt covenant ratios in accordance with the loan and bonds agreements.

Our audit procedures, among others, included:

- analysis of debt covenants' requirements resulting from the loan and bond agreements, including the covenant ratios and potential events of default;

- analysis of the Group's assessment of debt covenants' compliance and going concern assumption;

- assessment of compliance - estimated by the Group's Management - with applicable financial covenants' requirements by performing recalculation of these covenants as at 31 December 2020 on a sample basis of covenants;

- consideration of the events after the reporting date, including potential impact of the Covid-19 pandemic (i.a. decrease in shopping malls turnover on the future investment property valuations, which are subject to financing collaterals), on the uncertainty of meeting debt covenants and the Group liquidity in the foreseeable future and, consequently, the impact of this events on the going concern assumption assessment;

- analysis of the Group’s stress tests - the cash flow projections based on certain hypothetical defensive assumptions to assess the reasonableness of the going concern assumption in view of the current developments on the market;

- assessment of the appropriateness and completeness of the disclosures relating to the covenants, loan and bond agreements as well as going concern assumption in notes of the consolidated financial statements.

Other matter

The Group's financial statements for the year ended 31 December 2019 were audited by an auditor acting on behalf of another audit firm, who expressed an unqualified opinion on those financial statements on 18 March 2019.

Responsibilities of the Company’s Management and Supervisory Board for the Consolidated Financial Statements

The Company’s Management is responsible for the preparation of the consolidated financial statements that give a true and fair view of the Group’s financial position and financial result in accordance with International Financial Reporting Standards endorsed by the European Union, the adopted accounting methods (policies), the applicable binding regulations and the Statute. The Company’s Management is also responsible for such internal controls as it considers necessary to ensure that the consolidated financial statements are free from material misstatements resulting from fraud or error.

In preparing the consolidated financial statements the Company’s Management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, any matters related to going concern and using the going concern basis of accounting, except in situations where the Management intends to either liquidate the Group or discontinue its operations, or has no realistic alternative but to do so.

The Company’s Management and members of the Company’s Supervisory Board are required to ensure that the consolidated financial statements meet the requirements of the Accounting Act of 29 September 1994 (“the Accounting Act” – 2021 Journal of Laws, item 217). Members of the Company’s Supervisory Board are responsible for overseeing the financial reporting process.

Responsibilities of the Auditor for the Audit of the Consolidated Financial Statements

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

The concept of materiality is applied by the auditor at the planning stage and when performing the audit and evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements, as well as when formulating the auditor’s opinion. In view of the above, all of the opinions and statements contained in the auditor’s report are expressed subject to the qualitative and quantitative level of materiality set in accordance with the applicable standards on auditing and the auditor’s professional judgement.

The scope of the audit does not include an assurance regarding the Group’s future profitability, or regarding the effectiveness of the Company’s Management in the handling of the Group’s affairs now or in the future.

Throughout an audit in accordance with NSA we exercise professional judgement and maintain professional skepticism, as well as:

- identify and assess the risks of a material misstatement of the consolidated financial statements resulting from fraud or error, design and perform audit procedures in response to such risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, because fraud may involve collusion, forgery, deliberate omission, misrepresentation or override of internal controls;
- obtain an understanding of the internal controls relevant to the audit in order to plan our audit procedures, but not to express an opinion on the effectiveness of the Group's internal controls;
- evaluate the appropriateness of the accounting policies used and the reasonableness of the estimates and related disclosures made by the Company's Management;
- conclude on the appropriateness of the Company Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and contents of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit and remain solely responsible for our audit opinion.

We provide the Company's Audit Committee with information about, among others, the planned scope and timing of the audit and significant audit findings, including any significant weaknesses of internal controls that we identify during our audit.

We provide the Company's Audit Committee with a statement that we have complied with the relevant ethical requirements relating to independence, and that we will communicate to them all relationships and other matters that may reasonably be considered to constitute a threat to our independence, and where applicable, inform them of the related safety measures.

From the matters communicated to the Company's Audit Committee we determined those matters that were of the most significance to the audit of the consolidated financial statements for the current reporting period and were therefore chosen as key audit matters. We describe these matters in our auditor's report, unless law or regulations prohibit their public disclosure or when, in exceptional cases, we find that a given matter should not be presented in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such information.

Other Information, Including Report on Activities

Other information comprises the Report on the Activities of the Group for the financial year ended 31 December 2020 ("the Report on Activities") along with the representation on the application of corporate governance, as well as the Annual Report for the financial year ended 31 December 2020 ("Annual Report") (together "Other Information").

Responsibilities of the Company's Management and Supervisory Board

The Company's Management is responsible for the preparation of Other Information in accordance with binding regulations.

The Company's Management and members of its Supervisory Board are required to ensure that the Report on Activities along with its separate sections meets the requirements of the Accounting Act.

Responsibilities of the Auditor

Our opinion on the consolidated financial statements does not cover Other Information. In connection with our audit of the consolidated financial statements, our responsibility is to read Other Information and, in doing so, consider whether it is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we find a material misstatement of Other Information, we are required to state this fact in our auditor's report. In accordance with the requirements of the Certified Auditors Act, it is also our responsibility to issue an opinion whether the Report on Activities has been prepared in accordance with binding regulations, and whether it is consistent with the information presented in the financial statements. We are also required to issue an opinion whether the Company's representation on application of corporate governance contains the required information.

We received the Report on the Activities of the Group prior to the issue of the present auditor's report, whereas the Annual Report will be available after this date. In the event that we find a material misstatement in the Annual Report, we are required to communicate this to the Company's Supervisory Board.

Opinion on the Report on Activities

Based on the work we have performed during the audit, in our opinion the Report on the Activities of the Group:

- has been prepared in accordance with Article 49 of the Accounting Act and par. 71 of the Minister's of Finance Decree of 29 March 2018 on the current and periodic information reported by the issuers of securities and on the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (the "Current Information Decree" – 2018 Journal of Laws, item 757);
- is consistent with the information presented in the consolidated financial statements.

Furthermore, based on our knowledge obtained during the audit about the Group and its environment we have identified no material misstatements in the Report on the Activities of the Group.

Opinion on the corporate governance application representation

In our opinion, the Company's representation on application of corporate governance contains all of the information specified in paragraph 70 section 6 par. 5 of the Current Information Decree. In addition, in our opinion, the information indicated in paragraph 70 section 6 point 5 letters c-f, h and letter i of the Decree, contained in the representation on application of corporate governance is consistent with the applicable regulations and with the information contained in the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Declaration on the Provision of Non-audit Services

To the best of our knowledge and belief we declare that any non-audit services we have provided to the Group were consistent with the law and the regulations binding in Poland, and that we have not provided any non-audit services prohibited by virtue of Article 5 par. 1 of Regulation EU and Article 136 of the of the Certified Auditors Act.

The non-audit services we have provided to the Company and its subsidiaries in the audited period are listed in the Report on the Activities of the Group.

Appointment of the Auditor

We were appointed as auditors of the Group's consolidated financial statements in a resolution passed by the Company's Supervisory Board on 29 April 2020. We audited the consolidated financial statements of the Group for the first time.

The auditor in charge of the audit resulting in this independent auditor's report is Krzysztof Maksymik.

BDO spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw
entered on the list of audit firms in number **3355**

represented by the auditor in charge

Signed with a qualified electronic signature

Krzysztof Maksymik
Certified Auditor No. 11380

Podpisano kwalifikowanym podpisem elektronicznym

Dr. André Helin
Managing Partner of the General Partner
Certified Auditor No. 90004

Warsaw, 22 March 2021