Griffin Topco III S.à r.l.

Abridged Consolidated Financial Information

for the year ended 31 December 2019

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Independent auditor's report

To the Board of Managers of
Griffin Topco III S.à r.l.
26A, Boulevard Royal
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Opinion

We have audited the abridged consolidated financial information of Griffin Topco III S.à r.l. and its subsidiaries (the "Group"), which comprises the abridged consolidated statement of financial position as at 31 December 2019, the abridged consolidated statement of comprehensive income and the abridged consolidated statement of cash flows for the year then ended, and the notes to the abridged consolidated financial information, including a summary of significant accounting policies.

In our opinion, the accompanying abridged consolidated financial information is prepared in all material respects in accordance with the recognition and measurement principles as described in the note "Summary of significant accounting policies and basis of preparation".

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Law and standards are further described in the "responsibilities of the "réviseur d'entreprises agréé" for the audit of the abridged consolidated financial information section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the abridged consolidated financial information, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to note "Summary of significant accounting policies and basis of preparation" to the abridged consolidated financial information, which describes the basis of accounting. The abridged consolidated financial information is prepared to assist the Group to meet the requirements of the agreement in relation to the bonds issued on 23 November 2015 by Griffin real Estate Invest sp. z o.o. and guaranteed by Griffin Topco II S.à r.l. and Griffin Topco III S.à r.l. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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Responsibilities of the Board of Managers for the abridged consolidated financial information

The Board of Managers is responsible for the preparation and fair presentation of these abridged consolidated financial information in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union and as described in the note “Summary of significant accounting policies and basis of preparation”, and for such internal control as the Board of Managers determines is necessary to enable the preparation of abridged consolidated financial information that is free from material misstatement, whether due to fraud or error.

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

Responsibilities of the “réviseur d’entreprises agréé” for the audit of the abridged consolidated financial information

Our objectives are to obtain reasonable assurance about whether the abridged consolidated financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these abridged consolidated financial information.

As part of an audit in accordance with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the abridged consolidated financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers.

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- Conclude on the appropriateness of Board of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the abridged consolidated financial information 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 report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the abridged consolidated financial information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Ernst & Young
Société anonyme
Cabinet de révision agréé

Pavel Nesvedov

Luxembourg, 29 June 2020

(in thousands of euro)

Abridged Consolidated Statement of Financial Position

	As at 31 December 2019	Restated As at 31 December 2018	Approved As at 31 December 2018
TOTAL ASSETS	**42 652**	**127 524**	**160 901**
NON-CURRENT ASSETS	**13 044**	**92 517**	**125 894**
Investment properties	-	33 607	33 607
Properties under development	-	4 973	4 973
Other tangible and intangible assets	1	2	2
Deferred tax assets	30	228	228
Other non-current assets, *including:*	13 013	53 707	87 084
Loans granted to related parties - principal	*3 390*	*10 737*	*10 737*
Loans granted to related parties - interest	*71*	*325*	*325*
Loans granted to other entities - principal	*2 715*	*3 139*	*3 139*
Loans granted to other entities - interest	*85*	*254*	*254*
Investments in associates and joint ventures	*6 752*	*39 252*	*72 629*
CURRENT ASSETS	**29 608**	**35 007**	**35 007**
Loans granted to related parties - principal	25 945	25 235	25 235
Loans granted to related parties - interest	281	172	172
Loans granted to other entities - principal	-	918	918
Loans granted to other entities - interest	-	112	112
Trade receivables	31	179	179
Income tax receivables	19	44	44
VAT receivables	502	1 268	1 268
Other receivables	203	72	72
Prepayments	30	129	129
Cash and cash equivalents	2 597	6 878	6 878
ASSETS HELD FOR SALE	**-**	**-**	**-**

Griffin Topco III S.à r.l.

Abridged Consolidated Financial Information for the year ended 31 December 2019

(in thousands of euro)

	As at 31 December 2019	Restated As at 31 December 2018	Approved As at 31 December 2018
TOTAL EQUITY AND LIABILITIES	**42 652**	**127 524**	**160 901**
TOTAL EQUITY	**(11 656)**	**27 582**	**68 697**
Equity attributable to equity holders of the parent	**(11 654)**	**26 886**	**68 001**
Share capital	13	13	13
Other reserves	(3 273)	(3 273)	(3 273)
Retained earnings	28 895	56 844	56 844
Foreign currency translation reserve	964	1 251	1 251
Net profit / (loss) for the year	(38 253)	(27 949)	13 166
Non-controlling interest	**(2)**	**696**	**696**
TOTAL LIABILITIES	**54 308**	**99 942**	**92 204**
NON-CURRENT LIABILITIES	**10 585**	**16 126**	**16 126**
Bank loans - principal	-	12 544	12 544
Preferred Equity Certificates - principal	10 512	1 907	1 907
Related party loans - principal	24	1 088	1 088
Related party loans - accrued interest	-	1	1
Tenant's deposits	15	15	15
Deferred tax liability	34	571	571
CURRENT LIABILITIES	**43 723**	**83 816**	**76 078**
Bank loans - principal	-	3 777	3 777
Preferred Equity Certificates - accrued interest	17 186	52 159	11 760
Bonds payable - principal	25 719	25 234	25 234
Bonds payable - accrued interest	9	9	9
Related party loans - principal	-	14	32 675
Related party loans - accrued interest	29	149	149
Trade payables	599	1 143	1 143
Other payables, including:	181	936	936
VAT Payables	-	14	14
Income tax payables	15	1	1
Other payables	166	921	921
Accrued expenses and deferred income	-	17	17
Tenant's deposits	-	378	378

(in thousands of euro)

Abridged Consolidated Statement of Comprehensive Income

For the year ended 31 December	2019	Restated 2018	Approved 2018
Rental income	1 628	2 427	2 427
Service charge income	57	109	109
Other income	201	462	462
TOTAL REVENUE	**1 886**	**2 998**	**2 998**
Utilities	(182)	(257)	(257)
Selling, general and administration expenses	(271)	(520)	(520)
Real estate taxes	(23)	(23)	(23)
TOTAL PROPERTY OPERATING EXPENSES	**(476)**	**(800)**	**(800)**
Other cost of sales	-	-	-
TOTAL OPERATING EXPENSES	**(476)**	**(800)**	**(800)**
NET GAIN / (LOSS) ON DISPOSAL OF PROPERTIES	**-**	**-**	**-**
Legal and consulting costs	(298)	(795)	(795)
Asset management fees	(14)	(10)	(10)
Other overhead expenses	(4 174)	(1 386)	(1 386)
OVERHEAD EXPENSES	**(4 486)**	**(2 191)**	**(2 191)**
Net gain / (loss) on property valuation	95	2 602	2 602
Other income / (expenses)	(246)	(6 222)	(6 222)
Gains / (losses) from associates and joint ventures	51 874	19 364	19 364
Gain on disposal of subsidiaries	4 048	103	103
TOTAL OTHER OPERATING INCOME / (EXPENSES)	**51 285**	**13 656**	**13 656**
PROFIT / (LOSS) BEFORE INTEREST AND TAX	**52 695**	**15 854**	**15 854**
Interest expenses - related party loans	(89 346)	(38 951)	1 448
Interest expenses - bank loans and debentures	(2 297)	(2 708)	(2 708)
Foreign exchange gains / (losses)	85	(780)	(64)
Other income / (expenses)	(155)	(1 191)	(1 191)
FINANCE INCOME / (COST)	**(91 713)**	**(43 630)**	**(2 515)**
PROFIT / (LOSS) BEFORE TAX	**(39 018)**	**(27 776)**	**13 339**
Current income tax	(29)	1	1
Deferred income tax	96	(165)	(165)
TAXATION	**67**	**(164)**	**(164)**
PROFIT / (LOSS) FOR THE YEAR	**(38 951)**	**(27 940)**	**13 175**
Attributable to:			
Equity holders of the parent	(38 253)	(27 949)	13 166
Non-controlling interests	(698)	9	9
Other comprehensive income:			
Foreign currency translation reserve	(287)	(2 626)	(2 626)
Other comprehensive income for the year, net of tax	**(287)**	**(2 626)**	**(2 626)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(39 238)**	**(30 566)**	**10 549**
Attributable to:			
Equity holders of the parent	(38 540)	(30 575)	10 540
Non-controlling interests	(698)	9	9

(in thousands of euro)

Abridged Consolidated Statement of Cash Flows

For the year ended 31 December	2019	2018
PROFIT / (LOSS) BEFORE INTEREST AND TAX	**52 695**	**15 854**
Gain / (loss) on property valuation	(95)	(2 602)
Gain / (loss) on associates and joint ventures	(51 874)	(19 364)
Net gain / (loss) on Disposal of Property	(4 048)	-
Taxes (Corporate Income Tax, Trade Tax) paid	43	(32)
Changes in Working Capital	**(31)**	**4 304**
Trade receivables	-	(519)
Other receivables	(54)	(7)
Prepayments	99	545
Payables	(136)	5 326
VAT settlements	275	(67)
Other Items	(215)	(974)
Operating Cash Flow (OCF)	**(3 310)**	**(1 840)**
Interest income		
Dividends	83 501	8 614
Net Disposal Proceeds	(864)	(107)
Disposal of subsidiaries, net of cash disposed	613	1 539
NOI payments	-	(7 526)
Movement on Loans granted	6 864	(6 554)
Proceeds from disposal of shares	33 865	(1 300)
Capital expenditure on investment property under construction	(1 832)	(10 822)
Cash Flow from Investing Activities	**122 147**	**(16 156)**
Bank Loan Proceeds	668	8 146
Bank Loan Amortisation	(209)	(410)
Interest expenses - bank loans	(131)	(1 005)
Interest expenses - bonds	(1 753)	(1 657)
Proceeds from PECS / (repayments)	(116 221)	(215)
Borrowing from related parties / (repayments)	(5 472)	137
Interest from / (to) related parties and others	-	483
Cash Flow from Financing Activities	**(123 118)**	**5 479**
Free Cash Flow (FCF)	**(4 281)**	**(12 517)**
CASH OPENING BALANCE	**6 878**	**19 395**
CASH CLOSING BALANCE	**2 597**	**6 878**

Notes to the Abridged Consolidated Financial Information

Corporate information

The Abridged Consolidated Financial Information of Griffin Topco III Société à responsabilité limitée (S.à r.l.) and its subsidiaries (the "**Group**") for the year ended 31 December 2019.

Griffin Topco III S.à r.l. (the "**Company**") is a limited company incorporated and domiciled in Luxembourg. The registered office is located at route 26A Boulevard Royal, L-2449 Luxembourg.

The Group is involved in property operations owned by its direct subsidiaries or joint ventures and associates, located in Poland.

The Group is controlled by two companies: OCM Luxembourg EPF III S.à r.l. and OCM Luxembourg EPF III Griffin Holdings S.à r.l., both incorporated in Luxembourg. Oaktree Capital Group LLC is the ultimate parent company publishing consolidated financial statements. Oaktree Capital Group LLC is incorporated in Los Angeles. Oaktree Capital Group LLC is quoted on the NYSE.

Corporate Bodies of the Group

Management Board Members on the 31 December 2019:

- Barry Broomberg
- Hugo Neuman
- Maciej Dyjas
- Martin Eckel

No supervisory board has been established.

Summary of significant accounting policies and basis of preparation

The principal accounting policies applied in the preparation of the Abridged Consolidated Statement of Financial Position, Abridged Consolidated Statement of Comprehensive Income and Abridged Consolidated Statement of Cash Flows (" **Abridged Consolidated Financial Information**") of the Griffin Topco III S.à r.l. ("**the Group**") are set out below.

These policies have been consistently applied throughout periods covered by the Abridged Consolidated Financial Information.

The accounting policies adopted are consistent with those of the previous year. The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019 which had no impact on this Abridged Consolidated Financial Information. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(in thousands of euro)

Basis of preparation and statement of compliance

The Abridged Consolidated Financial Information have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union ("**IFRS**”). These Abridged Consolidated Financial Information do not constitute a full set of IFRS consolidated financial statements in accordance with IAS 1 “Presentation of Financial Statements” and IAS 34 “ Financial Reporting”. The Abridged Consolidated Financial Information have been prepared on a going concern basis and under the historical cost convention, except for the revaluation of certain financial instruments and investment properties which are measured at fair value.

The financial statements have been prepared on a going concern basis. Management of the Group considered the Group ability to continue activity on a going concern basis taking into account maturity dates of external financing and the Group ability to generate adequate cash flows for their settlement. The carried analysis proved that planned cash flows exceed cash flows needed to repay external liabilities. Sources of cash for the Group comprise of planned inflows from the settlement of loan receivable and the contingent receivables deriving from prior period transactions, the debt refinancing and from the available funds. The Group Management analyzed also these flows from a timing perspective. The planned inflows are expected be realized in periods before expected outflows needed for the settlement of external debt in the amount materially exceeding amount of external financial liability. However, the Group Management is aware that the completion of the intended sale of property and the refinancing or potential further extension of the external liabilities also depends on the business counterparty and to those extent remain outside the Management control. The Group Management acknowledges that there is an uncertainty as to the outcome of the above transactions, however in Management’s opinion it does not constitute a material going concern uncertainty.

The Abridged Consolidated Financial Information are presented in euro (“**EUR**”), which is also the parent’s, Griffin Topco III S.à r.l. functional currency, while Polish zloty (“**PLN**”) is the functional currency of each of the Polish Subsidiaries comprising the Group.

Change of comparative data

The Management of the Group decided to adjust the comparative data:

- Due to release of additional documents, the Group changed presentation of long term loan, which was compensated with dividend from associate. Finally the adjustment resulted in decrease of long term liabilities by 32 661 thousand EUR, with corresponding decrease in investment in associate in amount of 33 377 thousand EUR and retained earnings 716 thousand EUR;
- Significant amount of PECS interest was calculated after the balance sheet date. Management decided to reflect PECS cost in previous year financial statements. The adjustment resulted in increase of interest expense by 40 399 thousand EUR, with corresponding increase in short term PECS liabilities.

	Restated As at 31 December 2018	Change	Approved As at 31 December 2018
TOTAL ASSETS	**127 524**	**(33 377)**	**160 901**

(in thousands of euro)

NON-CURRENT ASSETS	**92 517**	**(33 377)**	**125 894**
Other non-current assets, *including:*	53 707	(33 377)	87 084
Investments in associates and joint ventures	*39 252*	*(33 377)*	*72 629*
CURRENT ASSETS	**35 007**	**-**	**35 007**
TOTAL EQUITY AND LIABILITIES	**127 524**	**(33 377)**	**160 901**
TOTAL EQUITY	**27 582**	**(41 115)**	**68 697**
Equity attributable to equity holders of the parent	**26 886**	**(41 115)**	**68 001**
Net profit / (loss) for the year	(27 949)	(41 115)	13 166
TOTAL LIABILITIES	**99 942**	**7 738**	**92 204**
NON-CURRENT LIABILITIES	**16 126**	**-**	**16 126**
CURRENT LIABILITIES	**83 816**	**7 738**	**76 078**
Preferred Equity Certificates - accrued interest	52 159	40 399	11 760
Related party loans – principal	14	(32 661)	32 675

For the year ended 31 December	**Restated 2018**	**Change**	**Approved 2018**
TOTAL REVENUE	**2 998**	**-**	**2 998**
TOTAL PROPERTY OPERATING EXPENSES	**(800)**	**-**	**(800)**
TOTAL OPERATING EXPENSES	**(800)**	**-**	**(800)**
OVERHEAD EXPENSES	**(2 191)**	**-**	**(2 191)**
TOTAL OTHER OPERATING INCOME / (EXPENSES)	**13 656**	**-**	**13 656**
PROFIT / (LOSS) BEFORE INTEREST AND TAX	**15 854**	**-**	**15 854**
Interest expenses - related party loans	(38 951)	(40 399)	1 448
Interest expenses – bank loans and debentures	(2 708)	-	(2 708)
Foreign exchange gains / (losses)	(780)	(716)	(64)
Other income / (expenses)	(1 191)	-	(1 191)
FINANCE INCOME / (COST)	**(43 630)**	**(41 115)**	**(2 515)**
PROFIT / (LOSS) BEFORE TAX	**(27 776)**	**(41 115)**	**13 339**
TAXATION	**(164)**	**-**	**(164)**
PROFIT / (LOSS) FOR THE YEAR	**(27 940)**	**(41 115)**	**13 175**
Other comprehensive income:			
Foreign currency translation reserve	(2 626)	-	(2 626)
Other comprehensive income for the year, net of tax	**(2 626)**	**-**	**(2 626)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(30 566)**	**(41 115)**	**10 549**

Group structure

The structure of the Group as at 31 December 2019 and 31 December 2018 is presented in the table below. The Abridged Consolidated Financial Information includes companies listed in the table below, which were consolidated according to the relevant consolidation method and percentage of ownership.

(in thousands of euro)

Name	Registered seat	Consolidation method	31 December 2019 ownership %	31 December 2018 ownership %
Griffin Topco III S.à r.l.	Luxembourg	Parent	100%	100%
Jotar Sp. z o.o.	Warsaw	Full	100%	100%
Jotar Sp. z o.o. Sp.k.	Warsaw	Full	100%	100%
Fidelin Development Sp. z o.o.	Warsaw	Full	100%	100%
Fidelin Development Sp. z o.o. Sp.k.	Warsaw	Full	100%	100%
Safirus Sp. z o.o.	Warsaw	Full	-	100%
Kensington Place Sp. z o.o.	Warsaw	Full	-	75%
Mantaroz Limited	Nicosia	Full	75%	75%
Griffin Real Estate Invest Sp. z o.o.	Warsaw	Full	78%	78%
Echo Partners B.V.	Amsterdam	Equity	50%	50%
Lisala Sp. z o.o.	Warsaw	Equity	-	50%
Student Depot Top Holdings B.V.	Amsterdam	Full	72,72%	100%
Sagartis (formerly Student Depot Sp. z o. o.)	Warsaw	Full	100%	100%
Student Depot Duet Sp. z o.o.	Warsaw	Full	-	100%
Student Depot Foxtrot Sp. Z o.o.	Warsaw	Full	-	100%
Student Depot Funky Sp. z o.o.	Warsaw	Full	-	100%
Student Depot Investment Sp. Z o.o.	Warsaw	Full	-	100%
Student Depot Group B.V.	Amsterdam	Full	-	100%
Student Depot Salsa Sp. z o.o.	Warsaw	Full	-	100%
Palena Sp. z o.o.	Warsaw	Full	-	100%
Lakina Sp. z o.o.	Warsaw	Full	-	100%
IB 13 FIZAN	Warsaw	Full	-	100%
SO SPV 38 Sp. z o.o.	Warsaw	Full	100%	100%
Bianco SCSp	Luxembourg	Full	-	100%
GT Netherlands III B.V.	Amsterdam	Full	100%	100%
GT Netherlands IV B.V.	Amsterdam	Full	100%	100%

(in thousands of euro)

Name	Registered seat	Consolidation method	31 December 2019 ownership %	31 December 2018 ownership %
Griffin Finance III Sp. z o.o.	Warsaw	Full	100%	30%
Green Horizon Offices Sp. z o.o.	Warsaw	Full	100%	100%
Echo Investment S.A.	Kielce	Equity	-	27,97%*

*Lisala Sp. z o.o. holds 55,95% in Echo Investments S.A.

The following changes to the Group structure took place in 2019:

- Purchase of Zerta sp. z o.o. on 3 April 2019 and in result dilution of shareholding in Student Depot Top Holdings B.V.
- Transfer of shares of Student Depot Group B.V. to Student Depot Top Holdings B.V. by Griffin Topco III S.a.r.l.
- Sale of all shares in Student Depot Group B.V. by Student Depot Top Holdings B.V. to Student Depot Investments B.V. (a company controlled by Kajima Properties Europe Ltd.) in May 2019.
- Safirus was liquidated on 30 August 2019.
- In September 2019 100% of shares in Kensington Sp. z o.o. were sold.
- On 12 December 2019 all shareholding in Lisala Sp. z o.o. was sold.
- IB 13 FIZAN and Bianco Scsp were liquidated in November 2019.
- The Group acquired remaining 70% of shares in Griffin Finance III Sp. z o.o from OCM Luxembourg EPF III Griffin Holdings S.à r.l and became a sole shareholder of the entity.

The following changes to the Group structure took place in 2018:

- On 7 March 2018 100% of shares in Student Depot Funky Sp. z o.o. were purchased.
- On 11 June 2018 CB Lubicz sp. z o.o. was liquidated.
- Sale of shares in Student Depot Flamenco sp. z o.o. by Student Depot Investment sp. z o.o. to Griffin Real Estate sp. z o.o.
- Sale of shares in SO SPV 54 sp. z o.o. by GT Netherlands III B.V. to Logistics Platform B.V.
- Purchase of Palena sp. z o.o. and Lakina sp. z o.o. by Student Depot Group B.V. from MDDP Olkiewicz i Wspólnicy Kancelaria Adwokatów i Radców Prawnych sp. k.

Polish Subsidiaries maintain their books of account in accordance with accounting principles and practices employed by enterprises in Poland as required by Polish Accounting Regulations.

Griffin Topco III S.à r.l. books of account are maintained in accordance with Luxembourg legal and accounting requirements.

The Abridged Consolidated Financial Information contains adjustments to the aforementioned books and records in order to comply with recognition and measurement principles of IFRS.

The preparation of the Abridged Consolidated Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Group based its assumptions and estimates on parameters available when the Abridged Consolidated Financial Information were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimates are used principally when accounting for revaluation of investment property, provision for doubtful debts and deferred income taxes.

Consolidation

The Abridged Consolidated Financial Information comprise the financial statements of the Group and its subsidiaries as at 31 December 2019.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

Profit or loss and each component of other comprehensive income ("**OCI**") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

a) <u>Subsidiaries</u>

Subsidiary is an entity that is controlled by the Group. Subsidiaries are consolidated from the date on which they were incorporated or control was transferred to the Group and are no longer consolidated from the date that control is lost. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Joint ventures

An entity applies IFRS 11 Joint arrangements, to determine the type of joint arrangement in which it is involved. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group as a joint venture recognizes its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.

c) Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Where the Group holds 20% or more of the voting power (directly or through subsidiaries) on an investee, it will be presumed the investor has significant influence unless it can be clearly demonstrated that this is not the case.

In the Abridged Consolidated Financial Information of the Group the equity method of accounting for investments in associates is used unless the Group may prove that it controls the investee.

d) Equity method

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

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

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

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

Foreign currency translation

a) *Functional and presentation currency*

The Abridged Consolidated Financial Information are presented in euros, which is also the Parent's (Griffin Topco III S.à r.l.) functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Items included in the Abridged Consolidated Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the relevant entity operates (the 'functional currency') being Polish zloty.

b) *Transactions and balances*

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(in thousands of euro)

The closing and average foreign exchange rates to the euro as of and for the period ended 31 December 2019 and 31 December 2018 are the following:

	31 December 2019	**31 December 2018**
Exchange rate as at the end of the period	4,2585	4,3000
Average exchange rate for the period	4,2988	4,2617

c) *Translation of foreign operations into presentation currency*

The financial statements of the subsidiaries prepared in their functional currencies are included in the Abridged Consolidated Financial Information by translation into euro using appropriate exchange rates outlined in IAS 21.

On consolidation, the assets and liabilities of foreign operations are translated into euros at the period end exchange rate while income and expenses are translated at average exchange rates for the period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income, as "Foreign currency translation" without effecting earnings for the period. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Real estate properties

Classification of real estate properties

The Group determines whether a property is classified as investment property or inventory property:

- Investment property comprises land and buildings (principally offices and retail property) that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income or capital appreciation. The buildings are substantially rented to tenants and are not intended to be sold in the ordinary course of business.
- Inventory property comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction.

Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises freehold land, freehold buildings and land held under perpetual usufruct (approach is the same as for freehold properties).

Investment property is measured initially at cost, including related transaction costs. After initial recognition, investment property is stated at fair value.

The basis for determining the fair value of Group's property portfolio is the market-based measurement, which is the estimated amount for which a property could be exchanged on the date of valuation, under current market conditions between market participants in an arm's length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, i.e. acted in their economic best interest.

Valuations are performed in accordance with RICS and IVSC Valuation Standards using either the residual method approach, DCF or sales comparison approach, as deemed appropriate by the appraiser.

Fair value calculated using cash flow projections is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

The valuation models in accordance with those recommended by the IVSC or RICS have been applied and are consistent with the principles in IFRS 13.

Valuation fees are not related to the property value and valuation results. The valuation by the professional appraiser is adjusted for lease incentives, agent fees, property interests, financial leasing related to perpetual usufruct of land compensations and letting fees.

The fair value of investment property reflects, among others, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is recognized as addition to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the Abridged Consolidated Statement of Comprehensive Income ('Repair and maintenance costs') during the financial period in which they are incurred.

Changes in fair values are recorded in the Abridged Consolidated Statement of Comprehensive Income within 'Net gain / (loss) on property valuation'.

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.

If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment the deemed cost for subsequent accounting is the fair value at the date of change in use.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying amount and transaction costs, and are recognised within 'Result on disposal of investment property', in the Abridged Consolidated Statement of Comprehensive Income.

Land acquired for development and future use as investment property is initially presented as investment property under construction and accounted for at cost. This includes all plots of land held by the Group on which no construction or development has started at the balance sheet date.

If the Company begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment.

Investment property under construction

Investment properties under construction are properties that are being (or will be) constructed, extended or redeveloped for future use as an investment property.

Such redevelopment projects are stated at fair value, however if the Group determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value of the property to be reliably measurable when construction is complete or more advanced, then Group measures that investment property under construction at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier).

The Group has adopted the following criteria to assess reliability of the fair value measurement:

- agreement with general contractor is signed;
- building permit is obtained;
- part of the rentable area is leased to tenants (based on the signed lease agreements and letter of intents).

Capital expenditures relating to planned redevelopment comprise directly attributable expenditures borne by the Group prior to start of the construction phase. Expenditures such as costs of architectural design, building permits and initial works associated with the planned process of redevelopment of existing investment properties are capitalized by the Group only when it is probable that future economic benefits associated with the item will flow to the Group, the cost of the item can be measured reliably and the Group has an intention to redevelop a property. Capital expenditure on future redevelopment of investment properties are recognized at cost less accumulated impairment loss.

Costs of redevelopment projects comprise acquisition costs, purchase taxes, and any directly attributable costs to bring the asset to working order for its intended use. Administrative expenses are not included unless these can be directly attributed to specific projects. Related borrowing costs are capitalized up to completion date.

Investment properties under redevelopment are reclassified to investment property upon completion, i.e. the date on which the property is available for operation.

The Group assumes that the investment redevelopment phase starts when works on a construction site are launched (the building book is opened). At that moment the basis for fair value is changed and property shall be classified as investment properties under construction and fair value shall represent the conditions after the redevelopment.

Redevelopment phase of an investment property is completed when: occupancy permit for the property is validated as well as the takeover protocol and final clearance is signed.

Inventory property

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and is measured at the lower of cost and NRV.

Cost includes:

- freehold and leasehold rights for land;
- amounts paid to contractors for construction;
- borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of inventory property recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Abridged Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost over the asset's estimated useful lives. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end. Property, plant and equipment is depreciated over their estimated useful lives.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Abridged Consolidated Statement of Comprehensive Income.

Assets held for sale

Investment property held for sale without redevelopment is classified as non-current assets held for sale under IFRS 5. Non-current assets are classified as assets held for sale if their carrying amount is recovered principally through a sale transaction rather than through a continuing use and is available for immediate sale in its present condition, subject to terms that are usual and customary for sales of such assets and the sale is highly probable within next 12 months.

The sale is determined to be highly probable if:

- there is a document signed, which proves the potential investor's intent to buy, this may comprise: intent letter, heads of terms, offer placed, SPA
- management is committed to a plan to sell at a price not significantly different from the ones included in the obtained documents
- there is an active sales process in place (due diligence procedures, meeting CPs to sell etc.)
- the sale is expected to be completed within one year from the date of classification.

The Group measures investment property classified as held for sale in accordance with IAS 40 measurement requirements (i.e. on re-classification, investment property that is measured at fair value continues to be so measured.). Other non-current assets (or disposal groups) classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

If the Group has classified an asset (or disposal group) as held for sale, but the criteria set above are no longer met, the Group ceases to classify the asset (or disposal group) as asset held for sale.

Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Financial assets

The Group classifies its financial assets other than derivatives in the category as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

The Group recognises a financial asset on its Abridged Consolidated Statement of Financial Positions when, and only when, the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus transaction costs. Loans and receivables are carried at amortised cost using the effective interest method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership or the control is transferred.

Rent and other receivables are recognised at their original invoiced value. Where the time value of money is material, receivables are carried at amortised cost, using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the loans or receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (for trade receivables more than 2 months overdue) are considered indicators that the loan or receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Abridged Consolidated Statement of Comprehensive Income. When a trade receivable is uncollectible, i.e. when the probability of recovery is assessed as being remote, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the Abridged Consolidated Statement of Comprehensive Income.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Subsequent fair valuation is reflected in Abridged Consolidated Statement of Comprehensive Income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of a derivative is classified as a non-current asset or liability when the remaining item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the item is less than 12 months.

The Group does not apply hedge accounting.

Cash and cash equivalents

Cash and cash equivalents' includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Borrowings

All loans and borrowings (including bonds) are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Abridged Consolidated Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time that is required to complete and prepare 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 as 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.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Abridged Consolidated Financial Information. However, the deferred income tax is not accounted for:

- if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries, and joint ventures where the timing of the reversal of the temporary differences can be controlled by the parent, venturer or investor, respectively, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences, carried forward tax losses can be utilised.

Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;

- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted.

Revenue recognition

Revenue includes rental income, service charges and management charges from properties, and income from property trading.

The Group recognises revenue when the amount of revenue can be reliably measured, to the extent that it is probable that future economic benefits will flow to the entity, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The specific recognition criteria described below must also be met before revenue is recognised.

a) *Rental income*

The Group is the lessor in operating leases. Rental income from operating leases is recognised in rental income on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income. Lease incentives are recognized in the income statement over the lease term on a straight line basis as a change in rental income. Differences that arise between the contractual lease payments and the periodic net lease income are straight-lined over the period of the lease.

b) *Service and management charges*

Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable. Service and management charges and other such receipts are included in Net rental income gross of the related costs, as the management consider that the Group acts as principal in this respect.

Management charges are recognised in the accounting period in which the services are rendered.

c) *Interest income*

Interest income is recognised as it accrues using the effective interest rate ("**EIR**") method. The EIR method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income is included in 'Finance income / (cost)' in the Abridged Consolidated Statement of Comprehensive Income.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Expenses

Direct property operating expenses are directly related to rental income and include costs, such as day-to-day property administration, utilities, property taxes, maintenance costs, insurance premiums, valuation fees, service costs, that are for the account of the property owner.

Direct property operating expenses do not include general and administrative expenses, which are a part of 'Administration expenses'.

Direct property operating expenses are expensed as incurred. The Group acts as a principal with respect to service costs. Accordingly, the services invoiced to the tenant and the corresponding expenses are shown separately in the Abridged Consolidated Statement of Comprehensive Income.

Dividend distribution

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent, when the distribution is authorised and the distribution is no longer at the discretion of the Company, i.e. when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Interest expense

Interest expenses for borrowings other than those incurred on qualifying assets are recognised within 'Finance costs' in the Abridged Consolidated Statement of Comprehensive Income using the EIR method.

Subsequent events

In connection with the spread of COVID-19 coronavirus in Poland and worldwide, the Management Board has analyzed the potential impact of a pandemic on the Company's operations. The analysis focused on impact on assets valuation, potential liquidity issues. Based on the analysis as well as the

Group performance in 2020 the Management Board considers that the COVID-19 impacts on the economy do not require any adjustments to the 2019 Abridge Consolidated Financial Statement

At the time of publication of this Financial Statement, the coronavirus-induced situation and its impact on the economy are still changing. Based on current evolution of COVID-19 the Management Board has not identified any material impact on the entity's operations, sales or supply chain or assets value. But as the situation is quite unique and unpredictable the Management Board cannot fully foresee the future effects of a pandemic. The future possible COVID -19 impact on the Group may translate into its future financial effects. Depending how the situation will evolve there may be possible that in the future may occur decline in assets valuation potentially resulting in a need to recognize impairment or the economical effects on the investments may not reached assumed levels. COVID -19 impact on banking sector may also deteriorate ability of the Group to finance its operations on the conditions assumed in the busines plans. The Management Board will closely monitor future evolution of COVID-19 and its impact for the Group operations. If there are noticed any negative impacts the Management Board will implement all necessary actions to prevent from negative impacts for the Group Operations.