G City Europe

G City Europe Limited

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ANNUAL FINANCIAL STATEMENTS 2023

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DIRECTORS' REPORT

The Directors submit their report and the audited consolidated financial statements of G City Europe Limited ("G City Europe" or "the Company", formerly "Atrium European Real Estate Limited") and its subsidiaries (together with G City Europe, the "Group") for the year ended 31 December 2023.

INCORPORATION

G City Europe was incorporated in Jersey, Channel Islands, on 8 December 1997.

PRINCIPAL ACTIVITIES

The principal activity of the Group is the ownership, redevelopment and operation of community shopping centres and residential for rent properties in Central Europe. The Group operates mainly in Poland.

RESULTS

KEY PERFORMANCE INDICATORS FROM CONTINUING OPERATIONS

KEY FIGURES OF THE GROUP	Unit	2023	2022	Change %/ppt
OPERATIONAL FIGURES				
Cash net rental income - excl. straight line	€'000	106.053	104.425	1,6 %
Net rental income	€'000	100.847	95.487	5,6 %
Like-for-like net rental income[1]	€'000	84.880	71.789	18,2 %
Operating margin[1]	%	91,9	91,8	0,1 %
EBITDA[1]	€'000	90.142	82.880	8,8 %
Adjusted EBITDA - excl. straight line[1]	€'000	95.439	92.093	3,6 %
Funds from operations (FFO), including discontinued operations[1]	€'000	79.291	50.129	58,2 %
FINANCIAL FIGURES				
Profit / (loss) after taxation for the year[1]	€'000	92.722	(15.252)	
Cash and cash equivalents	€'000	22.584	201.147	(88,8)%
Net cash generated from operating activities[1]	€'000	34.699	24.864	39,6 %
Total assets[1]	€'000	2.569.229	2.933.264	(12,4)%
Equity	€'000	1.334.082	1.397.268	(4,5)%
Borrowings	€'000	848.496	1.328.146	(36,1)%
LTV (net)	%	46,2	43,8	2,4 %
PORTFOLIO FIGURES				
Number of standing investment assets[1]	Number	15	22	
Standing investments at fair value[1]	€'000	1.547.173	2.070.086	(25,3)%
Standing investments held for sale	€'000	491.508	166.070	
Occupancy rate[1]	%	94,6	93,2	1,4 %
Redevelopments at fair value	€'000	81.160	176.729	(54,1)%
Land at fair value	€'000	159.800	149.925	6,6 %
Land held for sale	€'000	7.000	-	
Revaluation of standing investments	€'000	28.261	(32.252)	
Revaluation of redevelopments and land	€'000	9.864	(851)	

[1]Key performance indicators include a 75% stake in the Arkady Pankrac joint venture until April 2023, see Note 1.6.

Prior year comparatives for the period ended 31 December 2022 are adjusted following the classification of Russia as discontinued operations, see Note 1.12. As of 31 December 2022, standing investments at fair value included Russian portfolio (7 shopping centres) in total amount of €259.2 million.

EPRA NET ASSET MEASUREMENTS

EPRA (European Public Real Estate Association) is a common interest group for listed real estate companies in Europe. EPRA's objective is to encourage greater investment in European listed real estate companies and to strive for 'best practices' in accounting and financial reporting in order to provide high-quality information to investors and increase the comparability of different companies.

EPRA Net Reinstatement Value ('NRV') is disclosed below.

Borrowings	31 December 2023 €'000	31 December 2022 €'000
Equity per the financial statements	**1.334.082**	**1.397.268**
Fair value of financial instruments	(1.710)	(27.338)
Deferred tax	55.227	84.312
Hybrid instrument	(340.858)	(340.858)
Purchasers' costs	11.291	5.509
EPRA benchmark	**1.058.032**	**1.118.893**
Number of outstanding shares and options	299.743.871	299.743.871
Diluted net assets per share	**3,53**	**3,73**

In April 2023, the Group completed the sale of its Russian portfolio, see Note 1.12. In compliance with local regulatory and legal requirements the purchase price was subject of mandatory deductions, resulting in a sales price lower by 52% from the net asset value. Net result from disposal in €193.5 million led to the decrease of diluted net assets by 0,64 euro per share. Further EPRA NRV growth in 0.44 euro per share mainly derives from FFO and revaluation of standing investments.

STRATEGIC AND OPERATION RISK FACTORS

FAIR VALUE OF PROPERTIES

The fair value of the Group's Investment properties is inherently uncertain due to the individual nature of each property and the characteristics of the local and regional real estate markets. Less certainty and a higher degree of caution, should be attached to the valuation than would normally be the case.

DEVELOPMENT RISK

In 2023, G City Europe continued to focus on the redevelopment and extension of the Group's existing properties. The Group has also prioritised further growth of its residential for rent portfolio and re-positioning of the retail portfolio to prime assets in Poland.

The construction and redevelopment of properties is subject to a risk of defective construction, corrective or other works and associated adverse publicity, cost overruns, commercial related risks (lack of demand for new or redeveloped space or tenants wanting to step out of projects), delays in construction work or other unforeseen delays and planning, permitting, zoning, procedural and compliance risks. Any of the above could have a material adverse effect on how the Group's business, properties and projects are perceived by target tenants that impact on the Group's profitability from budget overruns and ability to market and lease its properties in the future.

The Group has commissioned the construction of some of the properties that it owns. As the owner and developer, the Group is liable for possible defects found in such properties as well as other direct or indirect damage relating to such properties. Potential damage related to construction may affect the fair value of these properties. Consequent liabilities and budget overruns may affect the profitability of the Group's business. The occurrence of any of the foregoing factors may have a material adverse effect on the business, net assets, cash flows, financial condition, prospects, results of operations and net profits.

E-COMMERCE

The Group has a majority of food and fashion anchored shopping centres and retail properties that meet the everyday needs of consumers.

The growth of online sales may affect consumers' behaviour, demand for commercial retail premises, decrease in footfall and may also lead to higher investment needs and higher pressure on margins. Shopping centres are constantly adapting their services and tenant offerings to meet changing consumer behaviour and demand to continue to attract customers, which could have a material adverse effect on the Group's business, financial conditon, prospects and results of operations.

The Group aims to adapt its operations to the effects of increasing online retail by focusing on prime urban locations, in growing demographics which are more resilient to internet penetration. However, there can be no certainty as to the successful implementation of the strategy nor that the strategy will work which could result in lower cash flows and valuations.

GEOPOLITICAL RISK

The Group operates in developing markets. The Group's operations in those markets are exposed to higher risks compared with operations in more developed markets; including legal, economic and political risks to which the operations in these countries are exposed. Our markets are vulnerable to geopolitical risks arising from conflicts between or within states with significant potential consequences for the political, economic and social status quo of the Group's markets. Changes in economic and political situations in one country may have a negative related or unrelated consequential impact on the economic and political situation in other countries.

Since its exit in April 2023, the Group has no operations in Russia. The risks related to sanctions, cash restrictions as well as the potential risk of imposing administration over Russian assets, have been sufficiently mitigated.

Current geopolitical conflicts in Eastern Europe and Middle East also affected the growth in energy and various raw materials prices. At the same time, the central banks measures in raising interest rates led to suppressing the increased inflation trend. European Union annual inflation in December 2023 was 3.4%, down from 10.4% a year earlier. Two years effect from inflation was partially mitigated by the basic rent effective indexation of 7.9% in 2023. The European Central Bank raised the interest rate by additional 200 bps in 2023 resulting in a higher cost of debt which mainly affected new borrowings as most of the Group's debt is long term at fixed interest after hedging transactions, see Note 1.14.

Further escalation of the geopolitical conflicts is subject of significant uncertainty and cannot be reliably estimated, but it could jeopardize the recovery of CEE economy and lead to the global economic crisis. The occurrence of the foregoing factors may have a material adverse effect on the business and financial results of the Group.

CYBER RISK

The IT risks faced by the Group include cyber security crime, potential loss of relevant and sensitive data and unauthorised access to or manipulation of confidential information. This may also affect the Group's ability to report promptly or accurately, cause interruption in collection and or payments, loss of income and also result in damage to its reputation.

The risk is partially mitigated by the Group wide IT controls with a strong emphasis on access security, backup and recovery procedures, accompanied by cyber insurance policy. In addition, the Group proactively manages this risk by way of an active action plan, including enhancing awareness of employees, encouraging responsible behaviour across the organisation and keeping systems and IT knowledge up to date.

RETAIL/LETTING RISK

Market consolidation of retailers may pose a risk to the Group as tenants may appeal rental levels or even exit the market thus weakening our profitability. In addition, bankruptcy of retailers could result in the risk of defaults on payment, which in turn could impact the cashflows of the Group.

The Group takes an active approach to managing these risks by detailed analysis of turnover across its tenant base and employing experienced local management teams in the different countries in which the Group operates, while making use of external local experts and specialists. In addition, our strategy of focusing the Group's portfolio on high quality assets in strong, attractive urban locations and investing in improving our assets reduces the risk further.

COMPETITORS

The Group faces competition from other owners, operators and developers. One of the primary areas of focus for the Group is the active management of its Standing Investments through optimising its tenant mix and ensuring asset attractiveness is achieved and improved by finding the right balance between retaining existing tenants and re letting rental space to new tenants. The Group competes with local real estate developers, private investors, property funds and other retail property owners for tenants. Other than the requirements for capital, there are few other barriers to entry to the property market.

The dominance of a shopping centre in a particular area is an important factor that determines the shopping centre's ability to compete for tenants. The Group remains focused on prime dominant shopping centres in Warsaw.

The Group mitigates this risk by employing experienced local management teams; adopting a proactive asset management approach and strict due diligence processes prior to the acquisitions of new assets.

CONCENTRATION

The Group's portfolio is concentrated and mostly consists of retail properties of which 70% by fair value are located in Warsaw, Poland. The Group's portfolio is exposed to concentration risks due to its focus on retail real estate and on certain countries and cities. The performance of the real estate portfolio of the Group may be disproportionately impacted by events or market developments occurring in specific regions of the portfolio or by developments that affect certain types of commercial or residential real estate. The Group's high level of concentration in retail properties and its dependency on the Polish market may have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group mitigates this risk by investing in high quality assets in urban locations with a demographic growth located in the strong economy and have favourable labour market with strong GDP growth.

REGULATORY/COMPLIANCE RISK

Compliance risk is related to the application of existing legislation and new legislation. Significant changes can affect the business operations and there could be a risk that the Group does not meet one or more of the requirements.

The Group mitigates this risk by internal procedures aimed at keeping knowledge of laws and regulations up to date.

ENVIRONMENTAL RISK

Risks associated with climate change and extreme weather including droughts, earthquakes and severe thunderstorms impact people and organizations worldwide. Higher temperatures can affect an ability to maintain a comfortable indoor environment and increase operational costs to keep the properties attractive to tenants and visitors. Energy transition to renewable sources, use of eco friendly building materials in construction and legal regulations to reduce carbon emissions (EU Taxonomy) might have an adverse impact on profitability. In addition, financial institutions currently develop new Environmental, Social and Governance (ESG) frameworks to be met by the companies for future financing.

The Group has developed asset level action plans, as an integrated part of the annual budget and business plans, to monitor and manage the asset's environmental performance and create awareness among employees, tenants, suppliers, and contractors. The Group follows the energy optimization program introduced in 2021 through a set of short, medium and long term energy reduction targets.

The Group uses BREEAM In Use to understand the climate change risks impacting the assets portfolio and develop the sustainable management of its properties. Currently over 80% of the Group's portfolio value is certified. Under the Company's Green Finance Framework the Group raised a total amount of €650 million in 2021 to finance and refinance assets that are BREEAM certified.

FINANCIAL RISK FACTORS

For Financial risks including credit risk, liquidity risk, market risks and tax risks refer to note 1.33 on Risk Management included in the consolidated financial statements.

In 2023 the Group continued with the retail asset rotation programme further concentrating on high quality properties in the capital city of Warsaw. In addition, the Group continued to realise its strategy to rotate from unsecured euro bonds market into asset secured long term loans, see Note 1.14.

DIRECTORS

G City Europe's Directors who served as of the date of approving these financial statements are listed on page 56.

COMPANY SECRETARY

VG Secretaries Limited ("VG") is the Company Secretary of G City Europe. G City Europe has concluded an agreement with VG for the provision of company secretarial and administration services.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards. The Directors have decided to use International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU"). The Companies (Jersey) Law 1991 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of G City Europe and of the profit or loss of G City Europe for that year. During the preparation of these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that G City Europe will continue as a going concern.

The directors confirm, that to the best of their knowledge, they have complied with all the above requirements in preparing the financial statements.

The Directors are responsible for the keeping of proper accounting records that disclose with reasonable accuracy the financial position of G City Europe at any time and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of G City Europe and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

By order of the Board of Directors,

29 February 2024

STATEMENT REGARDING FORWARD LOOKING INFORMATION

This report includes statements that are, or may be deemed to be, "forward looking statements". These forward looking statements can be identified by the use of forward looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will", "should", "could", "assumes", "plans", "seeks" or "approximately" or, in each case their negative or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout these Annual Financial Statements and include statements regarding the intentions, plans, objectives, beliefs or current expectations of the Group. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward looking statements are not guarantees of future performance.

You should assume that the information appearing in this Annual Financial Statements is up to date only as of the date of this Annual Financial Statements. The business, financial conditions, results of operations and prospects of the Group may change. Except as required by law, the Group do not undertake any obligation to update any forward looking statements, even though the situation may change in the future.

All of the information presented in this Annual Financial Statements, and particularly the forward looking statements, are qualified by these cautionary statements.

This Annual Financial Statements and the documents available for inspection should be read in their entirety and with the understanding that the actual future results of the Group may be materially different from what the Group expects.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2023 €'000	31 December 2023 €'000	31 December 2022 €'000	31 December 2022 €'000
ASSETS					
Standing investments	1.4	1.547.173		1.886.786	
Redevelopments and land	1.5	240.960		326.654	
Property and equipment		762		1.361	
Intangible assets		3.655		5.380	
Equity-accounted investment in joint ventures	1.6	2.400		187.230	
Derivatives	1.15	8.236		27.338	
Financial assets at amortised cost	1.7	194.087		30.682	
Other Long term assets	1.8	7.560		26.566	
Non-current assets			**2.004.833**		**2.491.997**
Receivables from tenants	1.9	7.410		10.897	
Other receivables	1.10	15.398		20.404	
Financial assets at amortised cost	1.7	1.865		27.624	
Financial assets at FVOCI	1.11	-		11.143	
Assets held for sale	1.12	517.139		170.052	
Cash and cash equivalents		22.584		201.147	
Current assets			**564.396**		**441.267**
TOTAL ASSETS			**2.569.229**		**2.933.264**
EQUITY AND LIABILITIES					
Stated capital	1.13	1.298.377		1.311.062	
Capital reserves	1.13	4.364		11.253	
Retained deficit		(308.297)		(200.069)	
Currency translation reserve		(1.220)		(65.836)	
Hybrid bond reserve	1.13	340.858		340.858	
Equity			**1.334.082**		**1.397.268**
Long term borrowings	1.14	845.763		1.119.488	
Derivatives	1.15	6.526		-	
Deferred tax liabilities	1.16	20.802		65.990	
Long term liabilities from leases	1.17	40.888		40.042	
Other long term liabilities	1.18	4.063		9.132	
Non-current liabilities			**918.042**		**1.234.652**
Trade and other payables	1.19	14.668		33.832	
Accrued expenditure	1.20	25.283		45.732	
Short term borrowings	1.14	2.733		208.658	
Income tax payable		-		164	
Provisions		3.054		3.418	
Liabilities held for sale	1.12	271.367		9.540	
Current liabilities			**317.105**		**301.344**
Total equity and liabilities			**2.569.229**		**2.933.264**

The financial statemements were approved and authorised for issue by the Board of Directors on 29 February 2024 and were duly signed on the Board's behalf by Chaim Katzman, Chairman of the Board, Zvi Gordon, Chairman of the Board meeting, and Marios Demetriades, Director.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		2023		2022	
	Note	€'000	€'000	€'000	€'000
Gross rental income	1.21	109.647		103.699	
Service charge income	1.22	38.860		40.758	
Property expenses	1.23	(47.660)		(48.970)	
Net rental income			**100.847**		**95.487**
Revaluation of standing investments, net	1.4	28.261		(32.252)	
Revaluation of redevelopments and land, net	1.5	9.864		(851)	
Depreciation, amortisation and impairments		(2.509)		(2.458)	
Administrative expenses	1.24	(15.815)		(29.987)	
Share of profit of equity-accounted investment	1.6	3.735		7.023	
Net result on disposals	1.25	(12.563)		(6.404)	
Costs connected with developments		(883)		(197)	
Net operating profit			**110.937**		**30.361**
Interest income	1.26	6.959		2.828	
Interest expense	1.26	(43.543)		(43.211)	
Foreign currency differences		220		(925)	
Other financial income / (expense), net	1.27	33.670		(5.658)	
Profit/(loss) before taxation from continuing operations			**108.243**		**(16.605)**
Taxation charge for the period	1.28	(15.521)		1.353	
Profit/(loss) after taxation from continuing operations			**92.722**		**(15.252)**
(Loss) / profit after taxation from discontinued operations		(190.325)		22.432	
Net profit/(loss) for the year			**(97.603)**		**7.180**

Prior year comparatives for the period ended 31 December 2022 are adjusted following the classification of Russia as a discontinued operation, see Note 1.12.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

		2023		2022	
	Note	€'000	€'000	€'000	€'000
Net (loss)/profit for the year		(97.603)		7.180	
Items that will not be reclassified to the statement of profit or loss:					
Movement in financial assets at FVOCI reserve		159		2.087	
Items that may be reclassified to the statement of profit or loss:					
Movement in hedging reserves (net of deferred tax)		(17.673)		32.334	
Reclassification of historic currency translation reserve of disposed assets[1]	1.12	58.638		7.445	
Exchange differences arising on translation of foreign operations		5.978		(176)	
Total comprehensive (loss)/income for the year			**(50.501)**		**48.870**

[1]Currency translation reserve amount mainly relates to the Russian business disposal.

CONSOLIDATED CASH FLOW STATEMENT

	2023 €'000	2022 €'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation from continuing operations	108.243	(16.605)
Adjustments for:		
Revaluation of standing investments, net	(28.261)	33.954
Revaluation of redevelopments and land, net	(9.864)	(851)
Depreciation, amortisation and impairments	2.509	2.458
Dividends from listed equity securities	-	(675)
Foreign exchange (profit)/loss, net	(220)	925
Change in legal provisions, net of amounts paid	(591)	528
Share of profit of equity-accounted investments in joint ventures	(3.735)	(7.023)
Net result on disposals	12.563	6.518
Lease interest expense	2.852	2.607
Net profit from bonds buy back	(35.655)	-
Other financial (income)/expense, net	(1.101)	2.838
Interest income	(6.959)	(2.828)
Interest expense	43.543	43.211
Operating cash flows before working capital changes	**83.324**	**65.057**
(Increase)/decrease in trade and other receivables and prepayments net	(5.222)	2.561
Decrease in trade and other payables and accrued expenditure net	(5.718)	(11.774)
Cash generated from operations	**72.384**	**55.844**
Interest paid	(47.247)	(43.794)
Interest received	6.545	2.675
Dividends received from Joint Ventures	4.066	13.247
Corporate taxes paid	(2.336)	(3.841)
Corporate taxes received	1.257	733
Net cash generated from operating activities from continuing operations	**34.669**	**24.864**
Net cash (used in)/generated from operating activities from discontinued operations	**(5.959)**	**37.184**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments related to investment properties including Pankrac acquisition	(134.752)	(84.144)
Proceeds from the disposal of investment properties	89.278	246.919
Repayment of loans provided	28.481	3.560
Loans provided to related and third parties	(88.170)	(35.127)
Proceeds from sale of financial assets at FVOCI	11.303	-
Net cash (used in)/generated from investing activities from continuing operations	**(93.860)**	**131.208**
Net cash generated from/(used in) investing activities from discontinued operations	**114.474**	**(2.171)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Hybrid bonds interest distribution	(12.685)	(318.075)
Repayment of long term borrowings	(316.924)	(418.457)
Receipt of long term borrowings	310.083	304.678
Utilisation (repayment) of a revolving credit facility, net	(205.000)	205.000
Repayments of leases	(410)	(453)
Dividends paid	-	(256.658)
Net cash used in financing activities from continuing operations	**(224.936)**	**(483.965)**
Net cash used in financing activities from discontinued operations	**(58)**	**(241)**
Net decrease in cash and cash equivalents	**(175.669)**	**(293.121)**
Cash and cash equivalents at beginning of the year	**201.147**	**500.375**
Movement in cash and cash equivalents held for sale	(3.192)	(1.946)
Effect of exchange rate fluctuations on cash held	298	(4.161)
Cash and cash equivalents at end of the year	**22.584**	**201.147**

Prior year comparatives for the period ended 31 December 2022 are adjusted following the classification of Russia as a discontinued operation, see Note 1.12.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital €'000	Hedging reserve €'000	Financial assets at FVOCI reserve €'000	Retained earnings €'000	Currency translation reserve €'000	Equity attributable to the owners of the Company €'000	Hybrid bonds reserve €'000	Total Shareholders Equity €'000
Balance at 1 January 2023		**1.311.062**	**22.037**	**(10.784)**	**(200.069)**	**(65.836)**	**1.056.410**	**340.858**	**1.397.268**
Net loss for the year[1]		-	-	-	(97.603)	-	(97.603)	-	(97.603)
Transfer of losses on disposal of financial assets at FVOCI to retained earnings		-	-	10.625	(10.625)	-	-	-	-
Other comprehensive income for the year[2]		-	(17.673)	159	-	64.616	47.102	-	47.102
Total comprehensive income for the year		**-**	**(17.673)**	**10.784**	**(108.228)**	**64.616**	**(50.501)**	**-**	**(50.501)**
Hybrid bonds interest distribution	1.13	(12.685)	-	-	-	-	(12.685)	-	(12.685)
Balance at 31 December 2023		**1.298.377**	**4.364**	**-**	**(308.297)**	**(1.220)**	**993.224**	**340.858**	**1.334.082**

[1]Net loss for the period includes €190.3 million loss from discontinued operations and from the Russian business disposal.

[2]Movement in hedging reserves includes €7.5 million net revaluation loss from hedging instruments classified as held for sale as of 31 December 2023, see Note 1.15.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital €'000	Hedging reserve €'000	Financial assets at FVOCI reserve €'000	Retained earnings €'000	Currency translation reserve €'000	Equity attributable to the owners of the Company €'000	Hybrid bonds reserve €'000	Total Shareholders Equity €'000
Balance at 1 January 2022		**1.885.713**	**(10.297)**	**(12.871)**	**(207.249)**	**(73.105)**	**1.582.190**	**340.858**	**1.923.048**
Net profit for the year		-	-	-	7.180	-	7.180	-	7.180
Other comprehensive income for the year		-	32.334	2.087	-	7.269	41.690	-	41.690
Total comprehensive income for the year		**-**	**32.334**	**2.087**	**7.180**	**7.269**	**48.870**	**-**	**48.870**
Transactions with owners									
Hybrid bonds interest distribution	1.14	(12.697)	-	-	-	-	(12.697)	-	(12.697)
Issue of shares	1.13	75	-	-	-	-	75	-	75
Capital repayment		(305.378)	-	-	-	-	(305.378)	-	(305.378)
Dividends		(256.651)	-	-	-	-	(256.651)	-	(256.651)
Balance at 31 December 2022		**1.311.062**	**22.037**	**(10.784)**	**(200.069)**	**(65.836)**	**1.056.410**	**340.858**	**1.397.268**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

1.1. REPORTING ENTITY

G City Europe Limited (the "Company", formerly "Atrium European Real Estate Limited") is a company incorporated in Jersey. Its registered office is 37 Esplanade, St. Helier, Jersey, Channel Islands and its business address is 79 Spyrou Kyprianou, MGO Protopapas, 3076 Limassol, Cyprus. The Company's tax residency is Cyprus.

The consolidated financial statements of G City Europe as at and for the year ended 31 December 2023 comprise the Company and its subsidiaries, collectively the "Group".

G City Europe is an owner, operator and redeveloper of shopping centres and residential for rent properties in Central Europe.

1.2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU").

The consolidated financial statements have been prepared on a historical cost basis, except for standing investments and redevelopments and land ("investment property"), derivative financial instruments, contingent considerations, and financial assets at fair value through Other Comprehensive Income ("OCI") that have been measured at fair value. The consolidated financial statements are prepared on a going concern basis.

These financial statements are presented in Euros ("€"), which is considered by the Board of Directors to be the appropriate presentation currency due to the fact that the majority of the transactions of the Group are denominated in or based on this currency. All financial information is presented in Euros and all values are rounded to the nearest thousand (€'000), unless stated otherwise, except share and per share information.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE, AND ENDORSED BY THE EU, AS OF 1 JANUARY 2023

Amendments to IAS 8 - Definition of Accounting Estimates

The Group has adopted the amendments to IAS 8 for the first time in the current year. The amendments clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

The Group has adopted the amendments to IAS 1 for the first time in the current year. The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The amendments had no material impact on the Group's consolidated financial statements.

Amendments to IAS 12 - International Tax Reform - Pillar Two Model Rules

The amendments include a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less than €750 million/year.

NEW STANDARDS, AMENDMENTS TO AND INTERPRETATIONS OF EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED BY THE GROUP EARLY

The following amendments are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current.
- Amendments to IAS 1 Presentation of Financial Statements - Non-current Liabilities with Covenants.
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements.
- Amendment to IFRS 16 Leases - Lease Liability in a Sale and Leaseback.

USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the Board of Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis when making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

CLIMATE-RELATED MATTERS

The Group considers climate-related matters in estimates and assumptions, where appropriate. This assessment includes a range of possible impacts on the group due to both physical and transition risks. Even though the Group believes its business model is viable after the transition to a low-carbon economy, climate-related matters increase the uncertainty in estimates and assumptions. The Group is closely monitoring relevant changes and developments, such as new climate-related legislation.

The effect of climate-related risks is considered in fair value measurement of standing investments. The group believes it is not exposed to severe physical risks related to properties. The transition risks, such as increasing requirements for energy efficiency of buildings and increasing demand for lower carbon emissions might have an adverse impact on profitability. The Group uses BREEAM In Use to understand the climate change risks impacting the assets portfolio and develop the sustainable management of its properties. For further information related to the valuation of standing investments see Note 1.30.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The following are critical judgements that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

Determination of functional currency - The Group determines the Euro as the functional currency of the majority of operating entities within the Group. The Group considered all primary and secondary indicators and, as the indicators varied, the judgement was taken that the Euro is acceptable as the functional currency as it most faithfully represents the economic effects of the underlying transactions, events, and conditions.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions and key sources of estimation uncertainty at the end of the reporting period that have a significant effect on the amounts recognised in the financial statements:

Fair value measurements and valuation processes – investment property is presented at fair value in the statement of financial position. The majority of the fair values are determined by independent real estate valuation experts using discounted cash flow method and the principles of IFRS 13 Fair Value Measurement. The Group categorises the standing investments and redevelopments and land fair value as Level 3 within the fair value hierarchy.

Taxes - Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable income. Given the wide range of international business relationships, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to current tax and/or deferred tax income and expenses already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as the results of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile. The Group does not consider the potential for tax authorities to "detect" such potential tax issues, instead the Group assumes the relevant tax authorities will be fully knowledgeable of all relevant facts. For further information, see also Note 1.35.

1.3. MATERIAL ACCOUNTING POLICIES

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

BASIS OF CONSOLIDATION

SUBSIDIARIES

The consolidated financial statements include the financial statements of the Company as well as the entities that are controlled, directly or indirectly, by the Company ("subsidiaries"). When assessing control, the Group considers its potential voting rights as well as the potential voting rights held by other parties, to determine whether it has power. Those potential voting rights are considered only if the rights are substantive. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

For the purposes of the consolidation, all inter company transactions, balances, income and expenses are eliminated. The subsidiaries comprising the Group have the same financial reporting period as the Company.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

EQUITY ACCOUNTED INVESTMENTS

The Group's current investments in joint ventures are accounted for using the equity method.

Under the equity method, investment in 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 the net assets of the joint venture since the acquisition date.

The financial statements of the joint ventures are prepared for the same reporting period as the Group.

The Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and its carrying value, and then recognises the loss as 'Share of profit (loss) of equity accounted investments in joint ventures' in the Statement of Profit or Loss.

CONSOLIDATION GROUP

The Consolidated financial statements of the Group include the following subsidiaries[1] as at 31 December 2023:

Company name	Country	Ownership
G CITY EUROPE HOLDINGS LIMITED	Cyprus	100 %
ATRIUM FINANCE PLC	Cyprus	100 %
G CITY EUROPE RESI LIMITED	Cyprus	100 %
ATRIUM RETAIL LIMITED	Cyprus	100 %
MD CE HOLDING LIMITED	Cyprus	100 %
ATRIUM HOLDING 3 LIMITED	Cyprus	100 %
ATRIUM HOLDING 4 LIMITED	Cyprus	100 %
ATRIUM HOLDING 5 LIMITED	Cyprus	100 %
ATRIUM HOLDING 6 LIMITED	Cyprus	100 %
ATRIUM FLORA A.S.	Czech Republic	100 %
PANKRAC SHOPPING CENTER K.S.[2]	Czech Republic	100 %
ATRIUM PANKRAC S.R.O.	Czech Republic	100 %
ATRIUM CZECH REAL ESTATE MANAGEMENT S.R.O.	Czech Republic	100 %
EKZ 11 S.R.O.[2]	Czech Republic	100 %
ATRIUM GROUP SERVICES B.V.	Netherlands	100 %
ATRIUM FINANCE B.V.	Netherlands	100 %
ATRIUM FINANCE 2 B.V.	Netherlands	100 %
CH BIALA SP. Z O.O. (FORMERLY "ATRIUM BIALA SP. Z O.O.")	Poland	100 %
FOCUS BYDGOSZCZ SP. Z O.O. (FORMERLY "ATRIUM BYDGOSZCZ SP. Z O.O.")	Poland	100 %
GALERIA DOMINIKANSKA SP. Z O.O. (FORMERLY "ATRIUM DOMINIKANSKA SP. Z O.O.")	Poland	100 %
ATRIUM KALISZ SP. Z O.O.	Poland	100 %
CH PLEJADA SP. Z O.O. (FORMERLY "ATRIUM PLEJADA SP. Z O.O.")	Poland	100 %
CH PROMENADA SP. Z O.O. (FORMERLY "ATRIUM PROMENADA SP. Z O.O.")	Poland	100 %
CH REDUTA SP. Z O.O. (FORMERLY "ATRIUM REDUTA SP. Z O.O.")	Poland	100 %
URBAN HOME KRAKΣW WROCLAWSKA SP. Z O.O. (FORMERLY "ATRIUM RESIDENTIAL 1 SP. Z O.O.")	Poland	100 %
URBAN HOME WROCLAW TRAUGUTTA SP. Z O.O. (FORMERLY "ATRIUM RESIDENTIAL 2 SP. Z O.O.")	Poland	100 %
URBAN HOME WARSZAWA RUBICON SP. Z.O.O. (FORMERLY "ATRIUM RESIDENTIAL 3 SP. Z O.O.")	Poland	100 %
URBAN HOME 4 SP. Z.O.O. (FORMERLY "ATRIUM RESIDENTIAL 4 SP. Z O.O.")	Poland	100 %
ATRIUM RELAX HERITAGE SP Z.O.O. (FORMERLY "ATRIUM RESIDENTIAL 8 SP. Z O.O.")	Poland	100 %
GALERIA KASZTANOWA SP. Z O.O. (FORMERLY "ATRIUM RETAIL 1 SP. Z O.O.")	Poland	100 %
URBAN HOME WARSZAWA OSTROBRAMSKA SP. Z.O.O. (FORMERLY "ATRIUM RESIDENTIAL OSTROBRAMSKA SP. Z O.O.")	Poland	100 %
CH TARGOWEK SP. Z O.O. (FORMERLY "ATRIUM TARGOWEK SP. Z O.O.")	Poland	100 %
ATRIUM JASTRZEBIE SP. Z O.O.	Poland	100 %

Company name	Country	Ownership
CH KING CROSS PRAGA SP. Z O.O. (FORMERLY "ATRIUM KING CROSS SP. Z O.O.")	Poland	100 %
G CITY POLAND SP. Z.O.O. (FORMERLY "ATRIUM POLAND REAL ESTATE MANAGEMENT SP. Z O.O.")	Poland	100 %
CENTRUM HANDLOWE NEPTUNCITY SP. Z O.O.	Poland	100 %
WARS SAWA JUNIOR SP. Z.O.O. (FORMERLY "MANHATTAN DEVELOPMENT SP. Z O.O.")	Poland	100 %
MD POLAND II SP. Z O.O.	Poland	100 %
SANDROCK INVESTMENTS SP. Z O.O.	Poland	100 %
CH CHMIELNA SP. Z O.O. (FORMERLY "ATRIUM CHMIELNA SP. Z O.O.")	Poland	100 %
PROPERTY DEVELOPMENT TWO SRL	Romania	100 %
MEL 1 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S. (MEL 1)	Turkey	100 %

1 Excluding inactive companies

2 New companies in 2023

FUNCTIONAL AND PRESENTATION CURRENCY

FOREIGN CURRENCY TRANSACTIONS

The Group's consolidated financial statements are presented in Euro. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Various factors are assessed to identify the functional currency of the entities that form the Group. In particular, the currency that influences the price of rent income and services is considered. The significant majority of all lease contracts are denominated in the Euro regardless of the local jurisdiction. The valuation of investment properties is carried out in Euro. The Group is financing its assets in Euro. Therefore the Euro has a significant and pervasive impact on the subsidiaries and the Euro has been assessed as the functional currency of most of the entities that form the Group. The functional currency of the residential operations is Polish Zloty.

FOREIGN OPERATIONS

On consolidation, the assets and liabilities of foreign operations are translated into Euro at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average foreign exchange rate. The exchange differences arising on translation for consolidation are recognised in Other Comprehensive Income.

On disposal of a foreign operation, the component of Other Comprehensive Income relating to that particular foreign operation is reclassified to profit or loss. Exchange differences arising on items, which in substance form part of the net investment in a foreign entity, are also presented in the statement of comprehensive income and as a separate component of equity until the disposal of the net investment.

INVESTMENT PROPERTIES

The Group's investment properties comprise completed properties ("standing investments") and properties under construction or re development and land ("redevelopments and land") that are held, or being constructed, to earn rental income or for capital appreciation, or both. Property held under a lease is classified as investment property when it is held, or being constructed, to earn rental income or for capital appreciation, or both.

Investment properties are initially measured at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Any gain or loss arising from a change in the fair value of investment properties is recognised in the Group's consolidated profit or loss under the caption "Revaluation of standing investment, net" or "Revaluation of redevelopments and land, net".

Upon commencement of a re development project, the unit is transferred from standing investments to development and land. Upon substantive completion of the re development project, the unit is transferred back to standing investments. The development's cost shall be its fair value at the date of transfer.

The fair values of all standing investments were determined on the basis of independent external valuations received from Savills. The fair values of most of the redevelopments and land, as at 31 December 2023, were determined on the basis of independent external valuations received from Savills or CBRE.

Savills and CBRE are external, independent valuation companies and real estate consultants, having an appropriately recognised professional qualification and recent experience in the respective locations and categories of properties being valued. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors Valuation Global Standards which incorporate the International Valuation Standards published by the Royal Institution of Chartered Surveyors (the "Red Book"). For further details about the investment properties valuation process, see Note 1.30.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. For further information of the net results on disposal, see Note 1.25.

RIGHT-OF-USE ASSETS

Where the Group is subject to a lease as the lessee, it recognizes a right of use asset and a lease liability at the commencement date. The right of use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the lessee's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted generally using the Group's incremental borrowing rate (IBR).

The right of use assets are subsequently measured in accordance with IAS 40 Investment Property. The Group applies the fair value model to any right of use assets that are investment properties.

The Group accretes the lease liability to reflect interest and reduces the liability to reflect lease payments made. The Group remeasures the lease liability upon the occurrence of certain events (e.g., change in the lease term, change in variable rents based on an index or rate), which is generally recognised as an adjustment to the right of use asset.

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

A non current asset or a group of assets (disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets must be available for immediate sale in their present condition, the Group must be committed to sell, there must be a plan to locate a buyer and it is highly probable that a sale will be completed within one year from the date of classification.

Such non current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sale. On re-classification as held for sale, investment properties that are measured at fair value continue to be measured in this way.

A non current asset or disposal group classified as held for sale is presented separately within current assets or liabilities in the statement of financial position as assets or liabilities classified as held for sale.

FINANCIAL INSTRUMENTS

RECOGNITION AND INITIAL MEASUREMENT

Trade receivables, lease receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus for an item not at fair value through profit or loss ("FVPL") transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

CLASSIFICATION AND SUBSEQUENT MEASUREMENT

On initial recognition, the Group financial assets are classified as measured at: amortised cost or at fair value through other comprehensive income (FVOCI) – debt investment; (FVOCI) – equity investment.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to the Board of Directors. The Company classifies and measures debt instruments in the financial statements when the contractual cash flows are solely payments of principal and interest and the Group business model is to hold the financial assets in order to collect their contractual cash flows.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost using the effective interest method.

OFFSETTING

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group holds derivative financial instruments to hedge its interest rate risk exposures. The Group designates derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates.

Subsequent to initial recognition, when a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Other Comprehensive Income and accumulated in the hedging reserve.

EXPECTED CREDIT LOSSES ("ECL")

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as the expected 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade and lease receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor, borrower or issuer;
- a breach of contract such as a default or when the receivables are past due;
- collection rate;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor or borrower will enter bankruptcy or other financial reorganisation.

STATED CAPITAL

The stated capital account consists of the proceeds received and receivable by G City Europe from the issue of its ordinary shares, net of direct issue costs.

Shares bought back are cancelled upon purchase and recognized as a reduction in stated capital.

Interest from perpetual debt is deducted from the stated capital, similar to discretionary dividends.

HYBRID RESERVE

Perpetual debt instrument is classified as equity by the Group. A perpetual debt discretionary interest element is recognised as an equity distribution from the Group's stated capital, similar to discretionary dividends. Any interest including compounded interest is recorded as an equity distribution when this payment becomes non discretionary or when interest is paid in cash. Any principal repayments are recognised as changes in Hybrid reserve. This includes any gains or losses on any potential refinancing in the future which are recognised directly in equity.

In regard to the Hybrid Notes issued in 2021, additional information is disclosed in note 1.13.

LIABILITIES FROM LEASES

Leases are recognised as a right of use asset with a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease liabilities are measured at the commencement of the lease at the present value of the lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of profit or loss.

When the Group cannot readily determine the interest rate implicit in the lease, it uses its IBR to measure lease liabilities at recognition. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs such as market interest rates based on a transfer pricing study making certain entity-specific estimates if needed.

REVENUE RECOGNITION

The Group is the lessor in operating leases on standing investments. Rental income from operating leases is recognised on a straight line basis over the lease term. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. The Group recognises revenue from service charges over time as performance obligations are satisfied by the Group, and as the tenants simultaneously receive and consume the benefits provided. The Group recognises as revenue the amount of the transaction price that is allocated to these performance obligations. As the Group has a right to consideration from tenants that corresponds directly with the value of the Group's performance to date, the amount of revenue to which the Group has a right to invoice is recognised.

Service charges and other such receipts are included gross of the related costs in revenue, as the Group acts as principal in this respect.

NET RESULT ON DISPOSAL OF PROPERTIES

The net result on disposal of properties is determined as the difference between the net sale proceeds and the net carrying value of the asset and is recognised in the statement of profit or loss when the control of ownership has been transferred to the buyer.

TAXATION

GENERAL

The Group is subject to income tax, capital gains tax and withholding tax in numerous jurisdictions. The Group recognises liabilities for current taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax liabilities in the period in which the determination is made.

CURRENT INCOME TAX

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The taxable profit differs from the net loss or profit as reported in the consolidated statement of profit or loss due to the inclusion or exclusion of income or expense items that are taxable or deductible in different reporting periods or which are not taxable or deductible.

DEFERRED INCOME TAX

Deferred income tax is recognised on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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

- when 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 accounting profit nor taxable profit or loss and, at the time of the transaction, does not give rise to equal taxable and deductible temporary differences; or

- in respect of taxable temporary differences associated with investments in joint arrangements, when 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 to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credits or unused tax losses can be utilised, except when 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 the taxable profit or loss, and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. In determining the expected manner of realisation of an investment property measured at fair value a rebuttable presumption exists that its carrying amount will be recovered through sale.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

1.4. STANDING INVESTMENTS

The current portfolio of standing investments of the Group consists of 12 retail properties and 3 residential buildings (31 December 2022: 20 retail properties and 1 residential building) including 2 assets held for sale (31 December 2022: 2 assets held for sale).

A roll forward of the total standing investments portfolio is provided in the table below:

Standing investments	31 December 2023 €'000	31 December 2022 €'000
Balance as at 1 January	1.886.786	2.340.068
Additions - technical improvements extensions	15.464	21.348
Transfer from joint venture	241.987	-
Movement in leases	684	1.796
Transfers to/from redevelopments and land	124.273	(937)
Transfer to assets held for sale	(491.508)	(166.070)
Revaluation of standing investments, net	28.261	(34.434)
Disposals (see Note 1.12)	(261.074)	(274.985)
Exchange differences arising on translation of residential properties	2.300	-
Balance as at 31 December	**1.547.173**	**1.886.786**

The Cap rates diversification across the Group's income producing portfolio is stated in the table below:

CAP RATES (WEIGHTED AVERAGE)

Standing investments	2023	2022
Poland	6,2 %	6,0 %
Czech Republic	- %	6,3 %
Weighted average	**6,2 %**	**6,0 %**

For information about the fair value of standing investments, see note 1.30.

FAIR VALUE OF COLLATERAL

Two assets have been provided as collateral against G City Europe's two bank loans, see note 1.14. The analysis of assets pledged as collateral is as follows:

2023	Book value of bank loans	No. of assets pledged as collateral	Fair value of collateral
Collaterised bank loans	286.134	2	640.740
Total	**286.134**	**2**	**640.740**

2022	Book value of bank loans	No. of assets pledged as collateral	Fair value of collateral
Collaterised bank loans	290.964	2	534.994
Total	**290.964**	**2**	**534.994**

As of 31 December 2023, the Galeria Dominikanska shopping centre in total amount of €183.4 million has been pledged as collateral under the credit facility of G City, see Note 1.34.

Transfers from redevelopments and land include two residential properties in Wroclaw and Warsaw in total amount of €55.6 million and redevelopments completed in Promenada shopping centre in total amount of €66.7 million.

The total value of land leases was €36.1 million as of 31 December 2023 (31 December 2022: €35.3 million).

In April 2023, the Group completed the disposal of all shares and financing in it's Russian portfolio of 7 shopping centres, adjacent land plots and a management company, see Note 1.12.

In April 2023, the Group completed the acquisition of the remaining 25% interest in the Arkády Pankrác shopping centre in Prague, Czech Republic, for a net consideration of €60.5 million. At initial recognition 100% interest in the standing investment was consolidated at cost of €242.4 million subsequently adjusted by €0.4 million negative net working capital true-up.

The transaction was accounted for as an asset acquisition that does not constitute a business and, as a result, the Group did not recognise deferred taxes on temporary differences arising on initial recognition.

The assets and liabilities recognised as a result of the acquisition are as follows:

	€'000
Non-current assets	
Standing investments	241.987
Other non-current assets	1.109
Current assets	
Receivables from tenants	1.533
Cash and cash equivalents	2.482
Other current assets	1.873
Non-current liabilities	
Other non-current liabilities	1.432
Current liabilities	
Trade payables	912
Other current liabilities	519
Net assets acquired	**246.121**

As of 31 December 2023, the fair value of the acquired property in €257.9 million was determined on the basis of a gross selling price less transaction cost, see Note 1.36.

The acquired property contributed a net rental income of €9.8 million to the Group for the period from 21 April 2023 to 31 December 2023.

1.5. REDEVELOPMENTS AND LAND

The current portfolio of redevelopments and land comprises €81.2 million (2022: €176.8 million) redevelopments and €159.8 million (2022: €149.9 million) land.

Redevelopments and land	31 December 2023 €'000	31 December 2022 €'000
Balance as at 1 January	326.654	244.383
Additions - retail	15.341	35.529
Additions - residential	35.921	51.353
Movement in leases	1.781	642
Transfer to/from standing investments	(124.273)	937
Disposals (see Note 1.12)	(25.391)	(4.926)
Revaluation of redevelopments and land	9.864	(1.264)
Transfer to assets held for sale	(7.000)	-
Exchange differences arising on translation of residential properties	8.063	-
Balance as at 31 December	**240.960**	**326.654**

Valuation gain includes €9.4 million derived from the Group's land plots located in Turkey and Romania.

The total value of land leases was €8.5 million as of 31 December 2023 (31 December 2022: €8.0 million).

In February 2023, the Group completed the acquisition of the third residential building within Rubikon project located in Warsaw, Poland for €11.2 million. In December 2023, the residential property was transferred to standing investments after completion of fit out works.

In February 2023, the Group completed the sale of a land plot in Kalisz, Poland for €1.7 million at approximately its fair value.

In April 2023, the land plots in Russia in total amount of €22.5 million were disposed of, see Note 1.12.

1.6. EQUITY-ACCOUNTED INVESTMENT IN JOINT VENTURES

Name of the joint venture	Country of incorporation	Stake in equity of joint venture 31 December 2023 €'000	Investment in joint venture 31 December 2023 €'000	Investment in joint venture 31 December 2022 €'000
Pankrac Shopping Centre k.s	Czech Republic	100%	-	185.165
EKZ 11 k.s.	Czech Republic	100%	-	2.065
Fedelmia Limited	Cyprus	50% (directly)		
GGH Atlas Tower sp. z o.o.	Poland	50% (indirectly)	2.400	-
Total			**2.400**	**187.230**

Since acquisition of the remaining shares in April 2023, 100% interest in Pankrac Shopping Centre k.s and EKZ 11 k.s. was classified as investment in subsidiaries, see Note 1.4.

In November 2023, the Group signed an agreement to acquire a 50% interest in the land plot in Warsaw, Poland, for €1 thousand nominal share price and additional €8.8 million loan provided to secure outstanding joint ventures' liabilities and to cover short term operations, see Note 1.7. The other joint venture partner continues to own the remaining 50% of the joint venture.

The Group completed the acquisition in November 2023. The transaction was accounted for as the acquisition of an asset that does not constitute a business.

The Group has determined that joint control exists with the other 50% owner. After considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the rights and obligations arising from the arrangement the Group classified its interests in the joint arrangement as a joint venture.

Summarised financial information of the joint ventures, Fedelmia Limited and GGH Atlas Tower sp. z o.o., based on their IFRS unaudited financial statements updated for adjustments at acquisition and reconciliation with the carrying amount of the investment in the consolidated financial statements, is presented below:

	31 December 2023 €'000	31 December 2022 €'000
Non-current assets	62.000	245.514
Current assets	1.325	6.624
Non-current liabilities	(46.665)	(1.455)
Current liabilities	(6.658)	(1.043)
Net Assets (100%)	**10.002**	**249.640**
Group share of net assets	**5.001**	**187.230**
Impairment to recoverable value	**(2.601)**	**-**
Carrying amount of interest in joint ventures	**2.400**	**187.230**

	31 December 2023 €'000	31 December 2022 €'000
Net rental income[1]	4.079	11.528
Other items mainly revaluation[1]	1.726	(2.164)
Profit of the Joint Ventures (100%)	**5.805**	**9.364**
Share of profit of equity-accounted investment in joint ventures	**3.735**	**7.023**
Dividends received by the Group	**4.066**	**12.573**

[1]The amounts include transactions of Pankrac Shopping Centre k.s and EKZ 11 k.s. until April 2023.

Following IFRS the carrying amount of the investment in the joint ventures including the long-term interest was impaired to recoverable amount, that is it's fair value less costs of disposal.

The Group has not incurred any contingent liabilities in relation to its interest in the joint ventures, nor do the joint ventures themselves have any contingent liabilities for which the Group is contingently liable.

1.7. FINANCIAL ASSETS AT AMORTISED COST

Loans	31 December 2023 €'000	31 December 2022 €'000
Loans to third parties	119.450	58.306
Loans to related parties	76.502	-
Total	**195.952**	**58.306**
Amounts due within 12 months (included under current assets)	1.865	27.624
Amounts due after more than 12 months	194.087	30.682

Loans to third parties include secured vendor loans in the amount of €30.7 million granted in 2022 to the purchasers of Optima and Mosty shopping centres located in Slovakia and Poland. The initial maturity of the loans is from 3 to 5 years and the principal bears weighted average interest rate of 4.6% per annum.

In May 2023, the Group granted a secured vendor loan in the amount of €61.7 million to the purchaser of Atrium Palac Pardubice shopping centre. The issuance of the loan was a non-cash transaction included in the purchase price. The maturity of the loan is within 5 years and the principal bears a variable average interest rate of 6.5% per annum. The short term portion was €0.9 million as of 31 December 2023.

In November 2023, the Group completed a restructuring of its investment in joint venture, see Note 1.6. As a result, €8.8 million additional loan was provided to related parties at 5% interest rate and maturity in 5 years. The Group signed a novation agreement with Fedelmia Limited and substantially modified the initial terms of the historic loan in total amount of €17.9 million that was recognised under other long term assets since 2020. Effective from 17 November 2023, the non-convertible loan in the amount of €20.6 million bears 5% interest rate per annum and matured in 5 years. Following IFRS requirements, the gain on extinguishment in €2.7 million was recognised as finance income of the current year, see Note 1.27. Both loans represent a long term interest in the joint ventures.

In December 2023, the Group granted a related party credit facility to Gazit Midas Limited in the available amount of €200.0 million bearing variable interest rate at 6.4% with maturity on 31 August 2025 and prolongation option until 31 December 2026. As of 31 December 2023, the utilised amount provided to the related party was €47.0 million. The related party credit facility is guaranteed by G City under the framework agreement signed, see Note 1.34.

The loans are measured at amortised cost which is not significantly different from their fair value.

In February 2023, the Group granted the secured vendor loan in the amount of €32.4 million to the purchaser of Molo shopping centre located in Poland. The maturity of the loan is within 5 years. The arrangement constitutes a financing component and initial measurement was adjusted to the present value in €27.8 million of future payments discounted at a market rate of interest for a similar debt instrument. As of 31 December 2023, the oustanding amount of the loan was €27.0 million following the principal amortisation payment in €0.8 million received from the vendor.

As of 31 December 2023, the loans in the amount of €27.2 million were fully repaid according to their maturity.

The credit exposure of the Group arising from the financial asset, as disclosed in note 1.31, represents the maximum credit exposure. The credit risk related to the loan is in line with the Group's market risks, as disclosed in 1.33 Risk Management. The Group obtained a mortgage as collateral and a pledge over ownership in exchange of the borrower's rights as a security for the performance of the obligations under the loan agreement. The value of collateral exceeds the outstanding amount of the loan.

1.8. OTHER LONG TERM ASSETS

Other assets	31 December 2023 €'000	31 December 2022 €'000
Long term advances	-	17.857
Long term restricted cash	4.190	-
Straight line of lease incentives to tenants	2.842	7.976
Other	528	733
Total	**7.560**	**26.566**

The long term advances in amount of €17.9 million have been extinguished following the restructuring of investments in joint venture and further novation of the loan agreement, see Note 1.7.

Increase in restricted cash refers to debt service and tenants deposit accounts according to the loan agreement with Berlin-Hannoversche Hypothekenbank AG and Bank Polska Kasa Opieki S.A., see Note 1.14.

Straight lining of lease incentives to tenants include the long term portion of discounts spread on the remaining lease term in accordance with IFRS 16. The short term portion is disclosed under note 1.9 receivable from tenants. Discounts mainly arose as a result of COVID-19 support to tenants.

1.9. RECEIVABLES FROM TENANTS

2023	Gross €'000	Allowances for impaired balances €'000	Net €'000	%
Due within term	2.478	(11)	2.467	50,6 %
Overdue 0-30 days	1.794	(23)	1.771	36,3 %
Overdue 31-90 days	713	(178)	535	11,0 %
Overdue 91-180 days	655	(550)	105	2,2 %
Overdue 181-360 days	150	(150)	-	- %
Overdue 361 days and more	3.091	(3.091)	-	- %
Sub-total	**8.881**	**(4.003)**	**4.878**	**100 %**
Straight lining	2.532	-	2.532	
Total	**11.413**	**(4.003)**	**7.410**	

2022	Gross €'000	Allowances for impaired balances €'000	Net €'000	%
Due within term	2.028	(36)	1.992	40,6 %
Overdue 0-30 days	1.905	(68)	1.837	37,5 %
Overdue 31-90 days	956	(171)	785	16,0 %
Overdue 91-180 days	830	(630)	200	4,1 %
Overdue 181-360 days	773	(741)	32	0,7 %
Overdue 361 days and more	4.083	(4.028)	55	1,1 %
Sub-total	**10.575**	**(5.674)**	**4.901**	**100 %**
Straight lining	5.996	-	5.996	
Total	**16.571**	**(5.674)**	**10.897**	

Payment terms normally do not exceed 30 days and are consistent with the industry trends.

The description of collateral held as security in relation to tenants is provided in note 1.33 under credit risk.

The table below provides a reconciliation of changes in allowances for bad debts during the year:

	31 December 2023 €'000	31 December 2022 €'000
At 1 January	**(5.674)**	**(8.850)**
Release	1.660	1.940
Addition net	(1.700)	-
Disposed of or transferred to held for sale	1.711	1.236
At 31 December	**(4.003)**	**(5.674)**

1.10. OTHER RECEIVABLES

Other assets	31 December 2023 €'000	31 December 2022 €'000
VAT receivables	6.756	6.791
Alternative minimum tax	3.683	1.952
Prepayments	729	7.163
Restricted cash in banks	672	269
Income tax receivable	215	509
Deferred purchase price on disposed assets	-	646
Others	3.343	3.074
Total	**15.398**	**20.404**

Increase in restricted cash refers to capex account according to the loan agreement with Berlin-Hannoversche Hypothekenbank AG and Bank Polska Kasa Opieki S.A., see Note 1.14.

1.11. FINANCIAL ASSETS AT FVOCI

The Group's financial assets at FVOCI as at 31 December 2022, included investments in two listed equity securities with less than 1% total holding in each individual investment. As of 31 December 2023, the investments have been disposed of with the net result transferred from financial assets at FVOCI reserve to retained earnings.

1.12. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

	31 December 2023 €'000	31 December 2022 €'000
Non-current assets		
Standing investments	491.508	166.070
Redevelopments and land	7.000	-
Other non-current assets	8.306	280
Current assets		
Receivables from tenants	1.859	1.348
Cash and cash equivalents	5.138	1.946
Other current assets	3.328	408
Assets held for sale	**517.139**	**170.052**
Non-current liabilities		
Deferred tax liabilities	21.637	3.658
Long term borrowings	231.020	-
Other non-current liabilities	7.040	950
Current liabilities		
Accrued expenditures	2.120	1.089
Advance payments	2.412	1.022
Short term borrowings	4.558	-
Other current liabilities	2.580	2.821
Liabilities held for sale	**271.367**	**9.540**
Total	**245.772**	**160.512**

As of 31 December 2023, following IFRS 5 requirements the Arkády Pankrác, Atrium Flora shopping centres in Czech Republic and Constanta land plot in Romania were classified as held for sale. The disposal of properties is at different stages and the Company believes that the sale will be completed in the following 12 months. The disposal of properties is part of the Group's strategy to reposition non-core assets portfolio and focus on prime properties located in Poland.

Borrowings held for sale include secured loans from Berlin-Hannoversche Hypothekenbank AG and UniCredit Bank Czech Republic and Slovakia in total amount of €125.0 million and €110.6 million, respectively, see Note 1.14.

As of 31 December 2022, the assets and liabilities held for sale included Atrium Molo located in Poland and Atrium Palac Pardubice located in Czech Republic.

In February 2023, the Group completed the sale of Atrium Molo shopping centre in Poland for €41.9 million approximately at its book value.

In May 2023, the Group completed the sale of Atrium Palac Pardubice located in Czech Republic for a gross consideration in €123.8 million approximately at its fair value.

In April 2023, the Group completed the sale of it's Russian portfolio for a gross consideration of 11.7 billion roubles. In compliance with local regulatory and legal requirements the purchase price was subject of deductions, resulting in a sales price lower by 52% from the net asset value. Net consideration received by the Group amounted to €115.6 million including the deduction of taxes withheld by the buyer from the gross consideration. Proceeds from disposal were used to redeem the Group's fully owned rouble bond listed in Luxembourg stock exchange.

As part of the transaction, the Russian Business was valued at fair value by external valuer as of 31 March 2023. The valuation was accepted by the Russian authorities and in order to approve the transaction a mandatory discount of 50% was imposed on the value, as a result the selling price of the Russian portfolio was set at RUB 11.7 billion (approximately €130 million). As per the accounting standards the contract was considered onerous and a loss of €136.3 million including the transaction cost related to brokers, advisors and lawyers has been recorded from discontinued operations.

	€'000
Consideration received	115.566
Carrying amount of net assets	(129.700)
Reclassification of historic foreign currency translation reserve	(57.312)
Transaction cost	(11.500)
Loss resulted from onerous agreement	(136.325)
Deferred tax benefit on the onerous agreement loss	25.800
Net result from disposal for the period	**(193.471)**

The results for Russia have been presented separately in the consolidated statement of profit or loss and the consolidated cash flow statement for 2023 and 2022.

	2023 €'000	2022 €'000
Gross rental income	10.103	33.254
Service charge income	4.430	16.208
Property expenses	(4.787)	(18.130)
Net rental income	**9.746**	**31.332**
Revaluation of standing investments, net	-	(2.182)
Revaluation of redevelopments and land, net	-	(413)
Loss resulted from onerous agreement	(136.325)	-
Depreciation, amortisation and impairments	(57)	(394)
Administrative expenses	(365)	(756)
Net result on disposals	(82.927)	(114)
Costs connected with developments	(57)	(535)
Net operating profit/(loss)	**(209.985)**	**26.938**
Foreign currency differences	(1.549)	(2.334)
Other financial expense, net	(193)	(679)
(Loss)/profit before taxation	**(211.727)**	**23.925**
(Charge)/benefit for the year	21.402	(1.493)
Net (loss)/profit for the year	**(190.325)**	**22.432**

1.13. STATED CAPITAL AND RESERVES

STATED CAPITAL

As at 31 December 2023, the total number of ordinary shares authorised and issued was 299.743.870 (2022: 299.743.870 shares), of which 111.990.360 ordinary shares were registered in the name of Gazit Midas Limited, 187.753.510 ordinary shares were registered in the name of Gazit Gaia Limited.

HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. See also note 1.15.

FINANCIAL ASSETS AT FVOCI RESERVE

The financial assets at FVOCI reserve comprises the cumulative net change in the fair value of financial assets at FVOCI until the assets are derecognised. See also note 1.11.

CURRENCY TRANSLATION RESERVE

The currency translation reserve comprises the cumulative amounts of the exchange differences on translation of foreign operations.

Currency translation reserve	31 December 2023 €'000	31 December 2022 €'000
Poland (retail)	(5.562)	(6.866)
Poland (residential)	5.806	(175)
Czech Republic	2.929	2.929
Russia	-	(57.331)
Romania	(907)	(907)
Turkey	(3.486)	(3.486)
Total	**(1.220)**	**(65.836)**

HYBRID RESERVE

In April 2021, the Company priced €350 million green hybrid bonds under its EMTN Programme (the "Hybrid Notes") with an issuance price at 98.197%. The Hybrid Notes carry a coupon of 3.625% until 4 November 2026 ('First Reset Date') and are callable for the first time on 4 August 2026.

Hybrid Notes are treated as part of shareholder's equity in the Company's financial statements. A holder of Hybrid Notes has no shareholder rights. The hybrid bond coupon is fixed at 3.625% per year until 4 November 2026 and is reset every five years. The Hybrid Notes do not have a set maturity date. The Group has the right to redeem the Hybrid Notes at its sole discretion five years from the date of issue and on every yearly interest payment date thereafter. The Hybrid Notes are unsecured, subordinated to all debt and senior only to ordinary share capital.

The overall Hybrid Notes net position recognised in equity as a separate reserve is net of transaction costs and amounted to €340.9 million.

Interest paid on the Hybrid Notes is deducted from the stated capital of the Company, whilst any principal repayments are considered as capital reduction and are deducted from the Hybrid reserve.

In November 2022, the Company deducted from its stated capital and paid in cash its first Coupon in an amount of €12.7 million (2023: €12.7 million).

The Hybrid Note has an off-balance sheet accrued interest of €2.1 million as of 31 December 2023 (31 December 2022: €2.1 million).

1.14. BORROWINGS

Borrowings	31 December 2023 €'000	31 December 2022 €'000
Bonds	562.362	786.804
Bank loans	283.401	287.306
Related party credit facility	-	45.378
Long-term liabilities	**845.763**	**1.119.488**
Bank loans	2.733	3.658
Utilised revolving credit facility	-	205.000
Short-term liabilities	**2.733**	**208.658**
Total	**848.496**	**1.328.146**

The borrowings are repayable as follows:

Borrowings total	31 December 2023 €'000	31 December 2022 €'000
Due within one year	2.733	208.658
Due in second year	329.358	4.010
Due within third to fifth year inclusive	516.405	1.115.478
Total	**848.496**	**1.328.146**

BONDS

As of 31 December 2023, the Group bought back and cancelled €170.2 million and €60.7 million of the outstanding 2025 Notes and 2027 Notes respectively with a gain in €35.7 million.

The bonds are subject to the following financial covenants: the solvency ratio shall not exceed 60%; the secured solvency ratio shall not exceed 40%; the consolidated coverage ratio shall not be less than 1.5. All covenants were met as of 31 December 2023.

BONDS 2023

Bond/Due year	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate €'000
Atrium European Real Estate Limited 2025	EUR	4,25 %	1,7	2025	326.623	302.269	4,8 %
Atrium European Real Estate Limited 2027	EUR	2,625 %	3,7	2027	235.739	186.013	3,0 %
Total/Weighted average		**3,6 %**	**3,6**		**562.362**	**488.282**	**4,0 %**

BONDS 2022

Bond/Due year	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate €'000
Atrium European Real Estate Limited 2025	EUR	4,25 %	2,7	2025	492.482	415.710	4,7 %
Atrium European Real Estate Limited 2027	EUR	2,625 %	4,7	2027	294.322	206.196	3,1 %
Total/Weighted average		**3,6 %**	**3,4**		**786.804**	**621.906**	**4,1 %**

RELATED PARTY CREDIT FACILITY

The related party credit facility from G City of €350.0 million carries a quarterly coupon of 3-month Euribor plus a spread of 1.5% per annum. The maturity date is 31 December 2026.

As of 31 December 2023, the Group has not utilised the related party credit facility (31 December 2022: €45.4 million). The Company has an available financing in total amount €350.0 million of unutilised related party credit facility. The related party credit facility is subordinated to the Group's senior debt.

BANK LOANS

The loan with Landesbank Hessen-Thuringen Girozentrale is subject to the following financial covenants: Loan to Value and Interest Service Cover Ratio. Both conditions were met as of 31 December 2023.

The loan with Berlin-Hannoversche Hypothekenbank AG is subject to the following financial covenants: Loan to Value and minimum equity, both of which were met as of 31 December 2023. Following classification of the Atrium Flora shopping centre as held for sale, the loan was presented under liabilities held for sale, see Note 1.12.

In May 2023, the Group raised a secured loan of €112.0 million from UniCredit Bank Czech Republic and Slovakia. The loan matures in 5 years and the principal bears interest rate of 5.14% per annum. The Group used the funds to repay the revolving credit facility and finance the acquisition of the remaining 25% interest in the Arkády Pankrác shopping centre. The loan is subject to the following financial covenants: Loan to Value and Debt Service Coverage Ratio. Both conditions were met as of 31 December 2023. Following classification of the Arkády Pankrác shopping centre as held for sale, the loan was presented under liabilities held for sale, see Note 1.12.

In October 2023, the Group raised a secured loan of €125.0 million from Berlin-Hannoversche Hypothekenbank AG and Bank Polska Kasa Opieki S.A. The loan matures in 5 years and the principal bears interest rate of 6.51% per annum. The Group partially used the funds to refinance the current debt structure. The loan is subject to the following financial covenants: Loan to Value and Debt Service Coverage Ratio. Both conditions were met as of 31 December 2023.

During 2023 the Group repaid €4.6m of the principal amount of bank loans.

The bank loans interest rates are hedged, see Note 1.15.

BANK LOANS 2023

Lender	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate €'000
Landesbank Hessen-Thuringen Girozentrale	EUR	2,2 %	2,9	2026	162.389	159.733	2,4 %
Berlin-Hannoversche Hypothekenbank AG and Bank Polska Kasa Opieki SA	EUR	6,5 %	4,8	2028	123.745	124.913	6,7 %
Total/Weighted average		**4,1 %**	**3,7**		**286.134**	**284.646**	**4,2 %**

BANK LOANS 2022

Lender	Currency	Interest rate	Average time to maturity	Maturity	Book value €'000	Fair value €'000	Effective interest rate €'000
Landesbank Hessen-Thuringen Girozentrale	EUR	2,3 %	3,9	2026	163.924	164.448	2,5 %
Berlin-Hannoversche Hypothekenbank AG	EUR	1,9 %	4,9	2027	127.040	127.299	2,0 %
Total/Weighted average		**2,1 %**	**4,3**		**290.964**	**291.747**	**2,3 %**

Accrued interest is not included in the borrowings balance and presented separately in Accrued expenditure, see Note 1.20.

For the information about the fair value of loans and bonds, see note 1.30.

Collateral	Fair value of pledged investment properties 31 December 2023 €'000	Fair value of pledged investment properties 31 December 2022 €'000
Wars Sawa Junior to Landesbank Hessen-Thóringen Girozentrale	306.501	305.206
Atrium Flora to Berlin-Hannoversche Hypothekenbank AG (see Note 1.12)	233.588	229.788
CH Promenada to Berlin-Hannoversche Hypothekenbank AG and Bank Polska Kasa Opieki S.A.	334.239	-
Arkady Pankrac to UniCredit Bank Czech Republic and Slovakia a.s. (see Note 1.12)	257.920	-
Galeria Dominikanska to Mizrahi Tefahot Bank Ltd (see Note 1.34)	183.439	-
Total	**1.315.687**	**534.994**

1.15. DERIVATIVES

The Group entered into four interest rate swap contracts ("IRSs") in connection with secured bank loans (see Note 1.14). These swaps replaced floating interest rates with fixed interest rates. The floating rate on the IRSs is the three month Euribor and the fixed rate is 0.826% on the loan obtained in November 2017, 0.701% on the loan obtained in November 2018, 3.137% on the loan obtained in May 2023 and 3.51% on the loan obtained in October 2023. Effective from 1 January 2023 the fixed rate on the loan obtained in November 2018 from Landesbank Hessen-Thuringen Girozentrale was amended to 0.640%.

As of 31 December 2023, the interest rate swap contracts in connection with the secured loans from UniCredit Bank Czech Republic and Slovakia and from Berlin-Hannoversche Hypothekenbank AG were classified as assets held for sale, see Note 1.12. The swaps have similar terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount and are included in cash flow hedges to reduce the Group's cash flow volatility due to variable interest rates on the bank loans.

An economic relationship between the hedging instrument and the hedged item exists; the hedging instrument and the hedged item have values that move in the opposite direction and offset each other. The interest rate risk associated with the floating debt instruments are hedged entirely with having 1:1 hedge ratio. The IRSs are measured at fair value using the discounted future cash flow method.

The fair value measurement of the IRSs are derived from inputs other than quoted prices in active markets. The inputs used to determine the future cash flows are the 3-month Euribor forward curve and an appropriate discount rate. The inputs used are derived either directly or indirectly. Therefore, these IRSs are classified as a Level 2 fair value measurement under IFRS 13.

For information about the fair value of the derivatives, see note 1.30.

Interest rate swaps	31 December 2023 €'000	31 December 2022 €'000
Carrying amount (liability)	(6.526)	-
Carrying amount (asset)	8.236	27.338
Notional amount	287.561	291.805
Change in fair value of outstanding hedging instruments since 1 January[1]	(21.996)	39.185
Transfer to assets/liabilities held for sale	(3.633)	-

[1]Change in fair value for the period includes €8.9 million gross revaluation loss from hedging instruments classified as held for sale, see Note 1.12.

1.16. DEFERRED TAX

Deferred tax liabilities 2023	Balance as at 1 January 2023 €'000	Deferred tax to the statement of profit or loss €'000	Deferred tax recognised in OCI €'000	Deferred tax on properties sold €'000	Deferred tax from discontinued operations €'000	Deferred tax classified as held for sale €'000	Balance as at 31 December 2023 €'000
Investment properties	(75.278)	(12.157)	-	(240)	33.498	22.853	**(31.324)**
Other assets	(1.006)	591	-	-	69	(141)	**(487)**
Liabilities and provisions	4.539	737	-	44	41	-	**5.361**
Tax losses carried forward	10.275	(3.537)	-	2	-	(207)	**6.533**
Other	(4.520)	266	4.333	(96)	-	(868)	**(885)**
Total	**(65.990)**	**(14.100)**	**4.333**	**(290)**	**33.608**	**21.637**	**(20.802)**

The main driver for the decrease in deferred tax liabilities is the impact of investment properties sold, deferred tax on hedging instruments and appreciation of Polish Zloty partially offset by tax depreciation and change of the tax rate in Czech Republic from 19% to 21% since 1 January 2024.

Deferred tax liabilities 2022	Balance as at 1 January 2022 €'000	Deferred tax to the statement of profit or loss €'000	Deferred tax recognised in OCI €'000	Deferred tax on properties sold €'000	Deferred tax classified as held for sale €'000	Balance as at 31 December 2022 €'000
Investment properties	(104.323)	630	-	24.765	3.650	**(75.278)**
Other assets	(1.710)	659	-	45	-	**(1.006)**
Liabilities and provisions	6.492	(1.013)	-	(897)	(43)	**4.539**
Tax losses carried forward	8.885	1.343	-	47	-	**10.275**
Other	322	133	(5.384)	358	51	**(4.520)**
Total	**(90.334)**	**1.752**	**(5.384)**	**24.318**	**3.658**	**(65.990)**

1.17. LEASE LIABILITIES

The liabilities from leases as of 31 December 2023 consisted of liabilities related to long term land leases in Poland. The short term portion of lease liabilities was disclosed as trade and other payables (see note 1.19).

Lease payments are due as follows:

Liabilities from leases	31 December 2023 Net present value €'000	31 December 2023 Undiscounted lease payments €'000	31 December 2022 Net present value €'000	31 December 2022 Undiscounted lease payments €'000
Due within one year	2.941	3.012	2.554	2.562
Due within two to five years	9.828	11.907	10.247	12.863
Due after five years	31.060	186.352	29.795	193.236
Total	**43.829**	**201.271**	**42.596**	**208.661**
Amounts due within 12 months	2.941	3.012	2.554	2.562
Amounts due after more than 12 months	40.888	198.259	40.042	206.099

The lease obligations are mainly denominated in Polish Zloty. The Group has two material lease arrangements in Poland; CH Promenada, with a net present value ("NPV") of €15,7 million (2022: €14,6 million) and Wars Sawa Junior, with a NPV of €9,7 million (2022: €9,0 million).

1.18. OTHER LONG TERM LIABILITIES

Other long term liabilities of €4,1 million (2022: €9,1 million) principally comprise of long term deposits from tenants amounting to €3,5 million (2022: €8,4 million).

1.19. TRADE AND OTHER PAYABLES

Trade and other payables	31 December 2023 €'000	31 December 2022 €'000
Short term liabilities from leasing	3.441	3.330
Short term deposits from tenants	2.758	5.812
Payables connected with development/construction	2.545	9.501
VAT payable	1.406	1.794
Deferred revenue	1.154	6.925
Payables to tenants	878	924
Other taxes and fees payable	255	1.145
Other	2.231	4.401
Total	**14.668**	**33.832**

1.20. ACCRUED EXPENDITURE

Accrued expenditure	31 December 2023 €'000	31 December 2022 €'000
Bonds interest	6.297	9.045
Service charge and turnover accrual	5.697	4.900
Construction services	2.915	10.675
Employee compensation	2.227	9.438
Maintenance, security, cleaning and marketing	1.997	1.609
Utilities	1.472	1.441
Business restructuring	1.217	2.908
Consultancy and audit services	894	1.150
Other	2.567	4.566
Total	**25.283**	**45.732**

1.21. GROSS RENTAL INCOME

Gross rental income ("GRI") includes rental income from the lease of investment properties, and from advertising areas, communication equipment and other sources.

GRI by country is as follows:

Country	Year ended 31 December 2023		Year ended 31 December 2022	
	€'000	% of total GRI	€'000	% of total GRI
Poland (retail)	81.104	74,0 %	81.440	78,5 %
Poland (residential)	2.676	2,4 %	342	0,3 %
Czech Republic	25.867	23,6 %	17.955	17,3 %
Slovakia	-	- %	3.962	3,8 %
Total	**109.647**	**100 %**	**103.699**	**100 %**

Undiscounted cash flows expected from rental contracts:

Expected undiscounted cash flows from rental contracts 2023	Total €'000
Received within 1 year	85.814
Received between 1 and 2 years	62.136
Received between 2 and 3 years	48.623
Received between 3 and 4 years	37.362
Received between 4 and 5 years	24.960
Received later than 5 years	108.873
Total	**367.768**

Expected undiscounted cash flows from rental contracts 2022	Total €'000
Received within 1 year	113.544
Received between 1 and 2 years	86.919
Received between 2 and 3 years	71.607
Received between 3 and 4 years	58.233
Received between 4 and 5 years	46.297
Received later than 5 years	173.786
Total	**550.386**

The undiscounted cash flows assume the following assumptions:

- rental income is based on contractual base rent only
- indexation and turnover rent have been ignored
- it includes occupied GLA as of 31 December.

1.22. SERVICE CHARGE INCOME

Service charge income of €38,9 million (2022: €40,8 million) represents income from services re-invoiced to tenants and results mainly from re-invoiced utilities, marketing, repairs and maintenance and is recorded on a gross basis. Expenses to be reinvoiced to tenants are presented under net property expenses together with other operating costs that are not re-invoiced to tenants.

1.23. PROPERTY EXPENSES

Net property expenses	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Utilities	(14.060)	(16.925)
Security cleaning and other facility related costs	(9.168)	(10.264)
Repair & Maintenance	(6.217)	(6.014)
Marketing and other consulting	(5.615)	(5.780)
Direct employment costs	(4.163)	(4.401)
Real estate tax	(4.111)	(4.644)
Office related expenses	(98)	(169)
Doubtful debtors, net	(103)	1.016
Other	(4.125)	(1.789)
Total	**(47.660)**	**(48.970)**

1.24. ADMINISTRATIVE EXPENSES

Administrative expenses	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Employee costs	(6.556)	(10.577)
Business restructuring costs	(3.097)	(10.269)
Legal costs	(1.382)	(2.034)
Audit, audit related and review fees	(1.147)	(1.322)
Communication and IT	(1.105)	(1.320)
Consultancy and other advisory fees	(1.057)	(1.436)
Expenses related to directors	(797)	(949)
Travel expenses	(423)	(392)
Marketing costs	(364)	(323)
Other income	920	922
Decrease/(Increase) in provisions	221	(151)
Other corporate fees	(1.028)	(2.136)
Total	**(15.815)**	**(29.987)**

The annual remuneration for 2023 to the Group Executive Team of the Company was in a total amount of €5.9 million (2022: €8.5 million) which includes base salary, allowances, benefits and annual target bonus. The Group does not have any significant defined benefit pension plans.

1.25. NET RESULT ON DISPOSALS

Net result on disposals	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Palac Pardubice	(11.785)	-
Kalisz land plot	(1.448)	-
Atrium Molo	(690)	-
Atrium Copernicus	1.397	(3.660)
Atrium Optima	-	(1.393)
Atrium Mosty	-	(900)
Atrium Plock	-	(144)
Atrium Agromex	-	(84)
Others	(37)	(223)
Total	**(12.563)**	**(6.404)**

In December 2022, the Group provided the irrevocable rental guarantee in respect of the vacant premises to the purchaser of Atrium Mosty for a period of 3 years. Guaranteed amount is fixed at €1.8 million and included to the net result on disposal.

1.26. INTEREST INCOME AND INTEREST EXPENSE

Interest expense net	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Interest income	6.959	2.828
Interest expense	(43.543)	(43.211)
Total	**(36.584)**	**(40.383)**

The Group's interest expense consists of finance expense on bonds of €28.6 million (2022: €31.6 million), on bank loans of €11.6 million (2022: €6.5 million), on the related party credit facility of €1.0 million (2022: €1.5 million) and on other utilised credit facilities of €2.3 million (2022: €2.6 million).

Interest income in 2023 consists of €5.1 million interest on the loans provided to third parties (2022: €1.9 million) and €0.3 million interest on the loans provided to related parties (2022: €nil).

1.27. OTHER FINANCIAL INCOME/(EXPENSE), NET

Interest expense net	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Gain from bonds buy back	35.655	-
Gain on extinguishment of financial assets	2.840	-
Interest on financial leases	(2.852)	(2.664)
G City commitment fees and upfront costs	(1.592)	(1.581)
RCF commitment fees	(255)	(1.257)
Bank costs	(234)	(242)
Dividend income from financial assets	-	675
Other financial income/(expense), net	108	(589)
Total	**33.670**	**(5.658)**

1.28. TAXATION CHARGE FOR THE YEAR

Taxation charge for the period	Year ended 31 December 2023 €'000	Year ended 31 December 2022 €'000
Corporate income tax current year	(2.678)	(3.571)
Deferred tax (charge)/credit	(14.100)	1.752
Adjustments to corporate income tax previous years	1.257	1.679
Income tax charged to the statement of profit or loss	**(15.521)**	**(140)**

The subsidiary companies are subject to taxes for their respective businesses in the countries of their registration at the rates prevailing in those jurisdictions.

Effective tax rate

A reconciliation between the current year income tax charge and the accounting profit before tax is shown below:

	2023 €'000	2023 %	2022 €'000	2022 %
Profit (loss) before taxation	108.243		(16.605)	
Income tax (charge)/credit	(6.339)	5,9 %	1.837	11,1 %
Tax effect of non-taxable income/(non-deductible expenses)	(8.099)		8.229	
Tax effect of losses previously not recognised	(9.359)		(4.989)	
Deferred tax asset not recognised	1.939		3.724	
Tax adjustment of previous years	1.257		1.680	
FX impact on non financial tax base	14.372		(5.708)	
Change in income tax rate	(8.418)		1.108	
Others	(874)		(4.528)	
Tax charge	**(15.521)**		**1.353**	
Effective tax rate		**14,3 %**		**8,1 %**

Unrecognised deferred tax assets and liabilities:

As at 31 December 2023, deferred tax liabilities of €90,8 million (2022: €96,5 million) on temporary differences at the time of initial recognition arising from investment property transactions treated as an asset acquisition had not been recognised in accordance with the initial recognition exemption in IAS 12, Income taxes.

The Group has not recognised deferred tax assets of €17,2 million (2022: €45,9 million) as it is not probable that future taxable profit will be available against which the Group can utilise these benefits. These unrecognised deferred tax assets arose primarily from carryforward tax losses. The tax losses expire over a number of years, in accordance with local tax legislation.

Unrecognised deferred tax assets

Country	31 December 2023 €'000	31 December 2022 €'000
Poland	16.062	19.798
Czech Republic	140	222
Russia	-	23.778
Romania	843	1.359
Turkey	-	693
Others	146	25
Total	**17.191**	**45.875**

The Group is liable for taxation on taxable profits in the following jurisdictions at the rates below:

Country	31 December 2023 %	31 December 2022 %
Poland	19,0 %	19,0 %
Czech Republic	19,0 %	19,0 %
Romania	16,0 %	16,0 %
Turkey	25,0 %	23,0 %
Cyprus	12,5 %	12,5 %
Netherlands	25,8 %	25,8 %

In Poland, reduced rate of 9% may be applied to small taxpayers with revenue not exceeding €2.0 million on an annual basis.

1.29. SEGMENT REPORTING (CONTINUING OPERATIONS)

The standing investment segment includes all commercial real estate held to generate rental income for the Group. The development segment includes all development activities and activities related to commercial real estate land plots. The reconciling items mainly include holding activities and other items that relate to activities other than the standing investment segment and the development segment. The residential operations are not qualified as a separate segment for the year 2023 due to the size.

The Group evaluates performance of the standing investment segment on the basis of profit or loss from operations before tax excluding foreign exchange gains and losses. The performance of the development segment is evaluated on the basis of expected yield on cost.

The segment reporting is based on the internal reporting to the Board of Directors, as the chief operating decision maker ('CoDM'), which was adjusted in 2023 to reflect the change in geographical information. The Board of Directors as chief decision makers of the Group monitor the contribution made by the segments to the company's performance on the basis of the segment operating profit/(loss). Total Asset and liabilities items are not reported separately to the CoDM. In 2023 the geographical information is not reported separately to the CoDM, since the Group exited Russia and classified its asset portfolio in Czech Republic as held for sale (see Note 1.12) further concentrating on high quality properties in the capital city of Warsaw.

Reportable segments for the year ended 31 December 2023	Standing Investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	113.050	-	(3.403)	109.647
Service charge income	39.746	-	(886)	38.860
Net property expenses	(48.890)	-	1.230	(47.660)
Net rental income	**103.906**	**-**	**(3.059)**	**100.847**
Net result on disposals	(11.115)	(1.448)	-	(12.563)
Costs connected with developments	-	(883)	-	(883)
Revaluation of investment properties	28.261	11.782	(1.918)	38.125
Depreciation, amortisation and impairments	(1.605)	-	(904)	(2.509)
Administrative expenses	(8.019)	(22)	(7.774)	(15.815)
Share of profit of equity-accounted investment in joint ventures	-	-	3.735	3.735
Net operating (loss)/profit	**111.428**	**9.429**	**(9.920)**	**110.937**
Interest income	-	-	-	6.959
Interest expense	-	-	-	(43.543)
Foreign currency differences	-	-	-	220
Other financial income/expenses, net	-	-	-	33.670
Profit / (loss) before taxation	**111.428**	**9.429**	**(9.920)**	**108.243**
Taxation benefit for the year	-	-	-	(15.521)
Profit / (loss) after taxation	**111.428**	**9.429**	**(9.920)**	**92.722**
Investment properties	1.547.173	271.960	(31.000)[1]	1.788.133
Additions to investment properties	74.151	51.262	-	125.413

[1]Our 50% share of land plot held in a joint venture in Poland.

Reportable segments for the year ended 31 December 2022	Standing Investment segment €'000	Redevelopments and land segment €'000	Reconciling item €'000	Total €'000
Gross rental income	113.366	-	(9.667)	103.699
Service charge income	43.710	-	(2.952)	40.758
Net property expense	(52.942)	-	3.972	(48.970)
Net rental income	**104.134**	**-**	**(8.647)**	**95.487**
Net result on disposals	(6.404)	-	-	(6.404)
Costs connected with developments	-	(197)	-	(197)
Revaluation of investment properties	(33.573)	(851)	1.321	(33.103)
Depreciation, amortisation and impairments	(1.391)	-	(1.067)	(2.458)
Administrative expenses	(13.273)	(161)	(16.553)	(29.987)
Share of profit of equity-accounted investment in joint ventures	-	-	7.023	7.023
Net operating (loss)/profit	**49.493**	**(1.209)**	**(17.923)**	**30.361**
Interest income	-	-	-	2.828
Interest expense	-	-	-	(43.211)
Foreign currency differences	-	-	-	(925)
Other financial income/expenses, net	-	-	-	(5.658)
Profit / (loss) before taxation	**49.493**	**(1.209)**	**(17.923)**	**(16.605)**
Taxation charge for the year	-	-	-	1.353
Profit / (loss) after taxation	**49.493**	**(1.209)**	**(17.923)**	**(15.252)**
Investment properties	1.810.936	304.236	(183.300)[1]	1.931.872
Additions to investment properties	20.517	86.874	(1.245)	106.146

[1]Our 75% share of investment property held in a joint venture in the Czech Republic.

Prior year comparatives for the year ended 31 December 2022 are adjusted following the classification of Russia as a discountinued operation, see Note 1.12.

1.30. FAIR VALUE

Fair value measurements recognised in the consolidated statement of financial position are categorised using the fair value hierarchy that reflects the significance of the inputs used in determining the fair values:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Group assets and liabilities at fair value in the statement of financial position as at 31 December 2023:

	Note	Level 1 €'000	Level 2 €'000	Level 3 €'000	Fair value as at 31 December 2023 €'000
Standing investments	1.4				
Poland		-	-	1.547.173	1.547.173
Total standing investments		**-**	**-**	**1.547.173**	**1.547.173**
Redevelopments and land	1.5				
Poland		-	-	136.700	136.700
Turkey		-	-	104.260	104.260
Total redevelopments and land		**-**	**-**	**240.960**	**240.960**
Assets and liabilities net of disposal group held for sale	1.12	**-**	**264.920**	**233.588**	**498.508**
Financial assets measured at fair value: derivatives	1.15	**-**	**1.710**	**-**	**1.710**

The Group transferred assets and liabilities of Property development two and companies related to the Arkády Pankrác shopping centre held for sale from Level 3 to Level 2 category based on pricing indicators from buyers. There were no other transfers of assets or liabilities between Level 1, Level 2 and Level 3 during 2023.

Group assets and liabilities at fair value in the statement of financial position as at 31 December 2022:

	Note	Level 1 €'000	Level 2 €'000	Level 3 €'000	Fair value as at 31 December 2022 €'000
Standing investments	1.4				
Poland		-	-	1.397.851	1.397.851
Czech Republic		-	-	229.785	229.785
Russia		-	-	259.150	259.150
Total standing investments		**-**	**-**	**1.886.786**	**1.886.786**
Redevelopments and land	1.5				
Poland		-	-	202.386	202.386
Russia		-	-	22.418	22.418
Turkey		-	-	98.101	98.101
Others		-	-	3.749	3.749
Total redevelopments and land		**-**	**-**	**326.654**	**326.654**
Assets and liabilities net of disposal group held for sale	1.12	**-**	**166.070**	**-**	**166.070**
Financial assets at FVOCI	1.11	**11.143**	**-**	**-**	**11.143**
Financial assets measured at fair value: derivatives	1.15	**-**	**27.338**	**-**	**27.338**

The Group transferred assets and liabilities of Atrium Molo and Atrium Palac Pardubice held for sale from Level 3 to Level 2 category based on pricing indicators from buyers. There were no other transfers of assets or liabilities between Level 1, Level 2 and Level 3 during 2022.

Investment properties measured at level 3 fair value:

	2023		2022	
	Standing Investment segment €'000	Redevelopments and land segment €'000	Standing Investment segment €'000	Redevelopments and land segment €'000
Balance as at 1 January	**1.886.786**	**326.654**	**2.340.068**	**244.383**
Profit (loss) included in the Statement of profit or loss				
Revaluation of investment properties	28.261	9.864	(34.434)	(1.264)
Additions and Disposals				
New properties	596	35.921	-	51.354
Construction technical improvements and extensions	14.868	15.341	21.348	35.528
Disposals	(261.074)	(25.391)	(274.985)	(4.926)
Other movements				
Movements in financial leases	684	1.781	1.796	642
Exchange differences arising on translation of residential properties	2.300	8.063	-	-
Transfer from joint venture	241.987	-	-	-
Transfers from redevelopments and land to standing Investments	124.273	(124.273)	35.466	(35.466)
Transfers to redevelopments and land from standing Investments	-	-	(36.403)	36.403
Transfer (to)/from assets held for sale	(491.508)	(7.000)	(166.070)	-
Balance as at 31 December	**1.547.173**	**240.960**	**1.886.786**	**326.654**

A description of the Investment Properties' valuation process:

The policies and procedures for standing investments and redevelopments and land valuations are approved by the Board of Directors.

The criteria for selecting the valuation companies includes recognised professional qualifications, reputation and recent experience in the respective locations and categories of the properties being valued.

Full external valuations of all the assets within the Group’s standing investment properties are performed on an annual basis at year end. An interim update valuation is performed only if material changes in net annual rental income occurred during the period or when deemed necessary by management.

The fair values of all standing investments were determined on the basis of independent external valuations received from Savills. The fair values of most of the redevelopments and land, as at 31 December 2023, were determined on the basis of independent external valuations received from Savills and CBRE. Approximately 67% (2022: 89%) of the land properties were valued externally. Savills and CBRE are all external, independent valuation companies and real estate consultants, having an appropriately recognised professional qualification and recent experience in the respective locations and categories of properties being valued. The valuations were prepared in accordance with the Royal Institution of Chartered Surveyors Valuation Standards published by the Royal Institution of Chartered Surveyors (the "Red Book").

The majority of the significant unobservable inputs are provided by the Company’s external, independent, international valuers and reflect current market assessments, while taking into account each property’s unique characteristics.

The valuation results of the investment properties are presented to the Board of Directors. This includes a discussion of any changes to the significant assumptions used in the valuations, significant changes (or, lack of changes if such are expected) in the valuations and the current economic situation of the market where the properties are located.

For the Cap rates diversification across the Group's income producing portfolio see note 1.4.

The valuation techniques used in measuring the fair value of the Group's assets and liabilities which are presented at fair values in the statement of financial position as at 31 December 2023:

Standing investments:

The fair value of standing investments is determined using a Discounted Cash Flow model. The Discounted Cash Flow model considers the present value of the net cash flow to be generated from the properties, taking into account the aggregate of the net annual rental income. The expected net cash flows are capitalised using a capitalisation rate that is based on the recent property transactions, general knowledge of the market and investment funds' expectations. This Cap rate is considered an 'all risks yield' and accounts for the investors view of the specifics of the property and it's leasing status. The Group categorises the standing investments fair value as Level 3 within the fair value hierarchy.

The following table shows the significant unobservable inputs used in the fair value measurement of standing investments for the Discounted Cash Flow method:

Significant unobservable inputs 2023	Range	Weighted average
Estimated rental value ("ERV")	€1 - €125 per sqm per month	€21 per sqm per month
Capitalisation rate	5.2% - 8.3%	6.2%

Inter-relationship between key unobservable inputs and fair value measurements:

2023	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in ERV	75,6	1.622,7
Decrease of 5% in ERV	(75,6)	1.471,6
Increase of 25bp in Cap rates	(58,7)	1.488,5
Decrease of 25bp in Cap rates	63,7	1.610,9

Significant unobservable inputs 2022	Range	Weighted average
Estimated rental value ("ERV")	€1 - €279 per sqm per month	€15 per sqm per month
Capitalisation rate	4.8% - 14.75%	7.0%

Inter-relationship between key unobservable inputs and fair value measurements:

2022	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in ERV[1]	94,3	2.016,0
Decrease of 5% in ERV[1]	(94,3)	1.827,4
Increase of 25bp in Cap rates[2]	(70,1)	1.851,6
Decrease of 25bp in Cap rates[3]	76,0	1.997,7

1 The effect of the increase/(decrease) in ERV on the estimated fair value of each country is approximately pro rata their fair value
2 The distribution of the estimated decrease (in € millions): Poland -56.3, Czech Republic -9.2, Russia -4.6
3 The distribution of the estimated increase (in € millions): Poland 61.2, Czech Republic 10.0, Russia 4.8

Redevelopments and land:

The fair value of 3% of redevelopments and land (31 December 2022: 11%) was determined using the Comparable method. The Comparable valuation method is based on the sales (offering and listing) prices of similar properties that have recently been transacted in the open market. Sales prices are analysed by applying appropriate units of comparison and are adjusted for differences with the valued property on the basis of elements of comparison, such as location, land ownership risk, size of the plot and zoning etc. Such adjustments are not considered to be observable market inputs.

The following table shows the significant unobservable input used in the fair value measurement of redevelopments and land for the Comparable method:

Significant unobservable inputs 2023	Range	Weighted average
Price	€40 - €61 per sqm	€56 per sqm

Inter-relationship between key unobservable inputs and fair value measurements:

2023	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in price[1]	0,4	8,5
Decrease of 5% in price[1]	(0,4)	7,7

1 The effect of the increase/(decrease) in price on the estimated fair value of two land plots in Poland.

Significant unobservable inputs 2022	Range	Weighted average
Price	€40 - €63 per sqm	€58 per sqm

Inter-relationship between key unobservable inputs and fair value measurements:

2022	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in price[1]	1,8	38,1
Decrease of 5% in price[1]	(1,8)	34,6

1 The effect of the increase/(decrease) in price on the estimated fair value of each country is approximately pro rata their fair value.

The fair value of 33% of redevelopments and land (31 December 2022: 38%) was determined using the Cost method. The fair value of the remaining 64% of redevelopments and land (31 December 2022: 51%) was determined using the Residual value method. The Residual value method uses the present value of the market value expected to be achieved in the future from the standing investment once it is developed less estimated cost to completion on the basis that the development is compliant with zoning regulations. The rental levels are set at the current market levels capitalised at the net yield which reflects the risks inherent in the net cash flows.

The following table shows the significant unobservable inputs used in the fair value measurement of redevelopments and land for the Residual valuation method:

Significant unobservable inputs 2023	Range	Weighted average
ERV	€15.2 - €22.7 per sqm per month	€15.71 per sqm per month
Capitalisation rate	8.3-8.4%	8.35%
Construction costs	€1,318 - €2,326 per sqm GLA	€1,342 per sqm GLA
Development Time Frame	1.3 - 5.42 years	4.92 years

Inter-relationship between key unobservable inputs and fair value measurements:

2023	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in ERV[1]	4,7	237,5
Decrease of 5% in ERV[1]	(4,6)	228,2
Increase of 25bp in Cap rates[2]	(2,6)	230,2
Decrease of 25bp in Cap rates[3]	2,9	235,7
Increase of 5% in expected construction costs[4]	(12,6)	220,2
Decrease of 5% in expected construction costs[5]	12,7	245,5
Increase of +1 year in development timeframe[6]	(19,3)	213,6
Decrease of - 1 year in development timeframe[7]	20,8	253,7

1 The effect of the increase/(decrease) in ERV on the estimated fair value of each country is approximately pro rata their fair value.
2 The distribution of the estimated decrease (in € million): Poland -2.6
3 The distribution of the estimated increase (in € million): Poland 2.9
4 The distribution of the estimated decrease (in € million): Poland -3.5, Turkey -9.1
5 The distribution of the estimated increase (in € million): Poland 3.6, Turkey 9.1
6 The distribution of the estimated decrease (in € million): Poland -3.1, Turkey -16.2
7 The distribution of the estimated increase (in € million): Poland 3.2, Turkey 17.6

Significant unobservable inputs 2022	Range	Weighted average
ERV	€14.9 - €20.5 per sqm per month	€19.37 per sqm per month
Capitalisation rate	5.0-8.0%	5.7%
Construction costs	€725 - €2,475 per sqm GLA	€1,332 per sqm GLA
Development Time Frame	1 - 5.42 years	4.31 years

Inter-relationship between key unobservable inputs and fair value measurements:

2022	Estimated change € in millions	Estimated total fair value following the change € in millions
Increase of 5% in ERV[1]	16,4	271,7
Decrease of 5% in ERV[1]	(16,4)	239,0
Increase of 25bp in Cap rates[2]	(12,7)	242,7
Decrease of 25bp in Cap rates[3]	13,8	269,2
Increase of 5% in expected construction costs[4]	(15,0)	240,4
Decrease of 5% in expected construction costs[5]	15,0	270,3
Increase of +1 year in development timeframe[6]	(20,5)	234,9
Decrease of - 1 year in development timeframe[7]	22,1	277,5

1 The effect of the increase/(decrease) in ERV on the estimated fair value of each country is approximately pro rata their fair value.
2 The distribution of the estimated decrease (in € million): Poland -12.7
3 The distribution of the estimated increase (in € million): Poland 13.8
4 The distribution of the estimated decrease (in € million): Poland -10.0, Turkey -5.0
5 The distribution of the estimated increase (in € million): Poland 10.0, Turkey 5.0
6 The distribution of the estimated decrease (in € million): Poland -9.5, Turkey -11.0
7 The distribution of the estimated increase (in € million): Poland 10.1, Turkey 12.0

Assets and liabilities, net of disposal group held for sale

As at 31 December 2023, disposal group held for sale was €499.8 million (31 December 2022: €166.1 million). The Group categorises the fair value of the assets and liabilities held for sale as Level 2 within the fair value hierarchy in case of the sale agreements signed by the Group and third parties.

Financial assets at FVOCI

For additional details on the available for sale financial assets see note 1.11.

Interest rate swaps used for hedging

The swaps are cash flow hedges designed to reduce the Group's cash flow exposure to variable interest rates on certain borrowings. The swaps are presented at fair value. The Group categorises fair value swaps as Level 2 within the fair value hierarchy. The inputs used to determine the future cash flows are the 3 month Euribor forward curve and an appropriate discount rate. The inputs used are derived either directly (i.e. as prices) or indirectly (i.e. from prices).
The following table shows the assets and liabilities of the Group which are not presented at fair value in the statement of financial position as at 31 December 2023, including their levels in the fair value hierarchy:

		2023		2022	
	Level	Net book value €'000	Fair value €'000	Net book value €'000	Fair value €'000
Financial liabilities					
Bonds	2	562.362	488.282	786.804	621.906
Bank loans	2	286.134	284.646	290.964	291.747
Total		**848.496**	**772.928**	**1.077.768**	**913.653**

The fair values of loans and bonds were determined by an external appraiser using discounted cash flow models, zero-cost derivative strategies for fixing the future values of market variables.

Fair values have been determined with reference to market inputs, the most significant of which are:

- Quoted EUR yield curve;
- Volatility of EUR swap rates
- Fair values of effected market transactions.

Fair value measurements used for bonds and loans are categorised within Level 2 of the fair value hierarchy.

1.31. CATEGORIES OF FINANCIAL INSTRUMENTS

The Group distinguishes the following categories of financial instruments:

2023	Carrying amount €'000	Financial assets at amortised cost €'000	Financial assets at FVOCI €'000	Financial liabilities at amortised cost €'000	Financial liabilities at FVOCI €'000
Financial assets					
Other assets	3.370	3.370	-	-	-
Receivables from tenants	7.410	7.410	-	-	-
Other receivables	7.166	7.166	-	-	-
Cash and cash equivalents	22.584	22.584	-	-	-
Financial assets at amortised cost	195.952	195.952	-	-	-
Derivatives	8.236	-	8.236	-	-
Total financial assets	**244.718**	**236.482**	**8.236**	**-**	**-**
Financial liabilities					
Long term borrowings	845.763	-	-	845.763	-
Derivatives	6.526	-	-	-	6.526
Long term lease liabilities	40.888	-	-	40.888	-
Other long term liabilities	4.063	-	-	4.063	-
Trade and other payables	11.241	-	-	11.241	-
Accrued expenditure	25.283	-	-	25.283	-
Short term borrowings	2.733	-	-	2.733	-
Total financial liabilities	**936.497**	**-**	**-**	**929.971**	**6.526**

2022	Carrying amount €'000	Financial assets at amortised cost €'000	Financial assets at FVOCI €'000	Financial liabilities at amortised cost €'000	Financial liabilities at FVOCI €'000
Financial assets					
Other assets	8.709	8.709	-	-	-
Receivables from tenants	10.897	10.897	-	-	-
Other receivables	3.050	3.050	-	-	-
Cash and cash equivalents	201.147	201.147	-	-	-
Financial assets at amortised cost	58.306	58.306	-	-	-
Financial assets at FVOCI	11.143	-	11.143	-	-
Derivatives	27.338	-	27.338	-	-
Total financial assets	**320.590**	**282.109**	**38.481**	**-**	**-**
Financial liabilities					
Long term borrowings	1.119.488	-	-	1.119.488	-
Long term lease liabilities	40.042	-	-	40.042	-
Other long term liabilities	9.132	-	-	9.132	-
Trade and other payables	23.667	-	-	23.667	-
Accrued expenditure	45.732	-	-	45.732	-
Short term borrowings	208.658	-	-	208.658	-
Total financial liabilities	**1.446.719**	**-**	**-**	**1.446.719**	**-**

The fair values of bonds and loans presented under long term financial liabilities are disclosed in note 1.14. The remaining financial liabilities are stated at amortised cost which is deemed not to be significantly different from their fair value. The fair values of the financial assets are deemed to equal their book values.

1.32. CAPITAL MANAGEMENT

The capital structure of the Group consists of borrowings (as detailed in note 1.14), cash and cash equivalents and equity.

The capital structure of the Group is reviewed regularly. Based on the Board of Directors decision, the Group manages its capital structure mainly by dividend distributions, debt raising and debt repayments.

For information about loans and bond covenants see note 1.14. For information about the capital structure of the Group see note 1.13.

No dividends have been distributed in 2023 (2022: €256.7 million).

1.33. RISK MANAGEMENT

The objective of the Group is to manage, invest and operate commercial real estate and residential for rent in Central Europe in order to increase their intrinsic value.

The risk exposures of the Group are periodically assessed and reported to the Board of Directors.

CREDIT RISK

Credit risk is defined as unforeseen losses on financial assets if counterparties should default.

The creditworthiness of tenants is closely monitored by a regular review of accounts receivable.

G City Europe attempts to minimise the concentration of credit risk by spreading the exposure over a large number of counterparties.

The creditworthiness of a tenant can decline over the short or medium term, for example as a result of change in the economic environment, leading to a risk that the tenant will become insolvent or be otherwise unable to meet its obligations under the lease. Any significant credit losses could have a material adverse effect on the Group's business, financial condition, cash flows, prospects and results of operations.

Furthermore, the Group holds collateral from tenants which would reduce the financial impact on the Group in the event of default. The collateral is represented by deposits from tenants and covers rents of one to three months. In 2023, the Group had secured long term deposits from tenants amounting to €3.5 million (2022: €8.4 million) and short term deposits amounting to €2.8 million (2021: €5.8 million) and secured bank guarantees.

The table in note 1.9 provides an ageing analysis of receivables from tenants and an overview of the allowances made for doubtful balances.

The credit exposure of the Group arising from the financial assets, as disclosed in note 1.31, represents the maximum credit exposure due to financial assets.

To spread the risk connected to the potential insolvency of financial institutions, the Group deposits cash balances at various international banking institutions. Before a deposit is made, a review of the credit ratings of the banking institutions is undertaken and only banks with credit ratings of an investment grade or better are selected by the Board of Directors.

LIQUIDITY RISK

Liquidity within the Group is managed by appropriate liquidity planning and through an adequate financing structure, which is linked to our capital management objectives.

The Group's liquidity requirements arise primarily from the need to fund its residential strategy, redevelopment projects, other property acquisitions and other capital expenditures, debt servicing and debt service costs, property management services and operating expenses. To date, these have been funded through bonds, proceeds from disposal of assets and bank borrowings, and, to a lesser extent, from cash flow from operations (including rental income and service charges). In addition, the Group has an available financing in total amount €350.0 million unutilised related party credit facility.

Liquid funds, comprising cash and cash equivalents amounted to €24.4 million as at 31 December 2023 (31 December 2022: €228.8 million). The short term borrowings amounted to €2.7 million (31 December 2022: €208.7 million). There are no bond repayments due until September 2025. Following a series of bonds buy back in 2023, the amount of the 2025 Notes outstanding as of 31 December 2023 has been decreased by €165.9 million to €326.6 million.

The Group performs solvency statements on an "as needed" basis, where it assesses its cash flows and liquidity needs.

The following tables analyse the Group's financial liabilities, including interest payments, based on maturity:

2023	Carrying amount €'000	Total contractual cash flows €'000	One year or less €'000	One to two years €'000	Two to five years €'000	More than five years €'000
Borrowings and derivatives[1]	861.319	959.217	35.221	364.781	559.215	-
Other liabilities[2]	75.178	235.212	33.240	3.967	11.078	186.927
Total	**936.497**	**1.194.429**	**68.461**	**368.748**	**570.293**	**186.927**

1 Borrowings include accrued interest.
2 Other liabilities comprise long term liabilities from finance leases, other long term liabilities, trade and other payables and accrued expenditure.

2022	Carrying amount €'000	Total contractual cash flows €'000	One year or less €'000	One to two years €'000	Two to five years €'000	More than five years €'000
Borrowings and derivatives[1]	1.337.364	1.482.045	247.826	41.136	1.193.083	-
Other liabilities[2]	109.354	277.650	62.743	5.643	13.250	196.015
Total	**1.446.718**	**1.759.695**	**310.569**	**46.779**	**1.206.333**	**196.015**

1 Borrowings include accrued interest.
2 Other liabilities comprise long term liabilities from finance leases, other long term liabilities, trade and other payables and accrued expenditure.

The amounts disclosed in the table are the contractual undiscounted cash flows.

MARKET RISK

Market risk embodies the potential for both losses and gains and includes price risk, currency risk and interest rate risk.

The Group operates in developing markets in Central Europe. The Group's operations in those markets are exposed to higher risks compared with operations in more developed markets; including legal, economic and political risks to which the operations in these countries are exposed. Our markets are vulnerable to geopolitical risks arising from conflicts between or within states with significant potential consequences for the political, economic and social status quo of the Group's markets. Changes in economic and political situations in one country may have a negative related or unrelated consequential impact on the economic and political situation in other countries.

Since its exit in April 2023, the Group has no operations in Russia. The risks related to sanctions, cash restrictions as well as the potential risk of imposing administration over Russian assets, have been sufficiently mitigated.

The Group's strategy for managing market risk is driven by the Group's investment objective which is managing and administering the existing property portfolio and identifying potentially attractive new investments in the market, conducting due diligence for acquisitions and managing all the stages of the acquisition process. The Group's market risk is managed on a daily basis in accordance with the policies and procedures in place.

The Group's overall market performance is monitored on a monthly basis.

Information about the key unobservable inputs used in fair value measurement is disclosed in note 1.30.

Price risk

The Group's investment properties are valued at fair value. These fair values are influenced by the turbulence in the global markets as well as the limited amount of publicly available and up to date data relating to the real estate markets in the countries in which the Group operates. The Group is therefore exposed to price risks resulting from movements in the Group's asset values that could change significantly during subsequent periods, see also notes 1.4 and 1.30.

Currency risk

The Group is exposed to a currency risk on cash balances that are denominated in foreign currencies.

To eliminate the risk of transactions in foreign currencies, the Group attempts to match its income with its expense in the same currency, thus reducing the currency risk.

The Group is mainly financed in Euro. The rents payable to the Group under the various lease agreements with tenants are mainly denominated in Euro. However, the income of most tenants is denominated in the local currency of the relevant country in which they are based. The occupancy cost ratio, which reflects the tenants' rental cost as a proportion of turnover, can be affected by fluctuations in the Euro, the currency in which rent is based or payable, against the relevant local currency in which the tenant generates turnover. Accordingly, a weakening of the local currency against the Euro could result in the Group's properties becoming less attractive, or over-rented. Such fluctuations could also result in these rents becoming unsustainable for the tenants concerned, leading to the respective tenants demanding discounts or even defaulting. This could consequently lead to a decrease in current and estimated rental income and a devaluation of the relevant properties.

The following tables set out the exposure to foreign currency risk and net exposure to foreign currencies of the Group's financial assets and liabilities:

2023	Financial assets €'000	Financial liabilities €'000	Net exposure €'000
CZK	413	(358)	55
PLN	24.770	(61.080)	(36.310)
Other	36	-	36

2022	Financial assets €'000	Financial liabilities €'000	Net exposure €'000
CZK	2.794	(5.983)	(3.189)
PLN	32.117	(55.716)	(23.599)
RUB	10.132	(13.941)	(3.809)
Other	74	(3)	71

Sensitivity Analysis

The table below indicates how a 10 percentage point strengthening of the currencies stated below against the Euro as at 31 December 2023 and 31 December 2022 would have increased/(decreased) the profit in the statement of profit or loss. This analysis assumes that all other variables, including base rent and lease incentives, remain constant. The recording and measurement of foreign currency results is undertaken in accordance with the principles outlined in standard IAS 21.

The table below does not take into account potential gains and losses on investment properties measured at fair value which are sensitive to foreign exchange fluctuations nor does it take into account the impact on any other non-financial assets or liabilities.

	2023 Gain/(Loss) €'000	2022 Gain/(Loss) €'000
CZK	6	(319)
PLN	(3.631)	(2.360)
Other	4	7

Interest rate risk

The majority of financial instruments bear interest on a fixed interest basis. The interest rate risks associated with the Group's financial instruments bearing variable interest rates are mainly hedged by making use of financial derivatives (interest rate swaps), see also note 1.15. As all the financial instruments, other than the derivatives, were measured at amortised cost in 2023, there were no fair value movements due to interest rate risk fluctuations in 2023. The interest rate risk was, therefore, reduced to the impact on the statement of profit or loss of the interest paid on borrowings bearing variable interest rates. The carrying amount of the borrowings bearing variable interest rates not hedged was €nil as at 31 December 2023 (31 December 2022: €250.4 million).

Interest rate exposure arising from long term borrowings is analysed on a regular basis. As at 31 December 2023, all of the Group's borrowings with the exception of the related party credit facility were effectively at a fixed interest rate. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing through bonds.

Numerous general economic factors cause interest rates to fluctuate. In addition, interest rates are highly sensitive to a government's monetary policy, domestic and international economic and political conditions, the situation in the financial markets and inflation rates. Interest rates on real estate loans are also affected by other factors specific to real estate finance and equity markets, such as changes in real estate values and overall liquidity in the real estate debt and equity markets.

Current geopolitical conflicts in Eastern Europe and Middle East also affected the growth in energy and various raw materials prices. At the same time, the central banks measures in raising interest rates led to suppressing the increased inflation trend. In 2023 the European Central Bank raised the interest rate by additional 200 bps resulting in a higher cost of debt which mainly affected new borrowings as most of the Group's debt is long term at fixed interest after hedging transactions, see Note 1.14.

Increases in interest rates could adversely affect the Group's ability to finance or refinance additional borrowings, as the availability of financing and refinancing proceeds may be reduced to the extent that income from properties fails to increase sufficiently to maintain debt service coverage.

Sensitivity Analysis

The Group seeks to safeguard its results and cash flow against interest rate fluctuations by using financial derivatives (interest rate swaps) to hedge long term financial instruments bearing variable interest rates.

UNCERTAINTY AS REGARDS TO TAX BURDEN

The Group has been exposed to possible changes in the tax burden including the passing of new tax laws, changes in existing laws, inconsistent application of existing laws and regulations and uncertainty as to the application and effect of laws and regulations. In some cases, laws were enacted with retrospective effects and the application of international legal frameworks and treaties reinterpreted. In addition, the taxation and fiscal systems in emerging and developing markets are less well-established, compared to those in more developed economies. The lack of established jurisprudence and case law may result in unclear, inconsistent regulations, decrees and explanations of the taxation laws and/or views on interpretation.

Any of the above matters, alone or in combination, could have a material and adverse effect on the Group's financial position and results from operations.

For instance, the Group's future effective tax rates may be adversely affected by a number of factors, including unilateral changes to double taxation treaties or changes in the value of G City Europe's deferred tax assets and liabilities, increases in expenses not deductible for tax purposes, the outcome of any potential discussions with the relevant tax authorities, changes in relation to taxation laws or tax rates or the interpretation of such taxation laws and changes in generally accepted accounting principles.

The Company monitors the implications of these initiatives on the various jurisdictions in which it operates and anticipates potential adverse consequences. The Company cannot preclude that this may further change going forward.

The Group aims to mitigate the above risks by having experienced central and local management teams in the different countries in which the Group operates that are making use of external local experts and specialists.

1.34. TRANSACTIONS WITH RELATED PARTIES

THE BOARD OF DIRECTORS AND THE GROUP EXECUTIVE TEAM

On 31 July 2023 Mrs Anna Dafna retired as Chief Financial Officer of the Group.

On 17 August 2023 Mr Ryan Lee retired from the Board of Directors and as Chief Executive Officer of the Group.

Effective from 18 August 2023 Mr Eshel Pesti was appointed as Chief Executive Officer and Mr Or Ackerman as Chief Financial Officer of the Group.

Mr George Christofides was nominated to the Board of Directors with effect from 18 August 2023, as a G City nominee non-executive director.

OTHER RELATED PARTY TRANSACTIONS

G City Limited is the parent company of G City Europe Limited and to the best of the management's knowledge Norstar Holdings Inc. is the controlling owner and its controlling shareholder is Mr. Chaim Katzman, Chairman of the Board of Directors.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

G City bought in the open market the Group's 2025, 2027 and Hybrid Notes in the nominal amounts of €104.8 million, €8.9 million and €33.8 million, respectively. Additional €45.9 million were received by G City in an exchange transaction for its own shares. As of 31 December 2023, the Group bought back €104.8 million of the 2025 Notes and €7.9 million of the 2027 Notes from G City.

Based on a consultancy agreement with the Group, Mr. Katzman is entitled to €0.7 million annual consultancy fee as from 1 April 2017, payable in four equal quarterly instalments and subject to an annual review.

In May 2023, the Group signed a guarantee agreement for the registered and financial pledge of all shares in Galeria Dominikanska Sp. z.o.o. securing the amount of $150.0 million (approx. €135.7 million) to the benefit of Mizrahi Tefahot Bank Ltd under the credit facility with G City. The maturity of the pledge is in December 2026. The Group is entitled to a net consideration of $0.7 million (approx. €0.6 million) per year.

Effective since December 2023, the Group signed a framework agreement with G City and Gazit Midas, related to obligations of Gazit Midas under related party credit facility provided in December 2023 (see Note 1.7), where G City took an obligation in case the Group receives an irrevocable undertaking from any financing party, G City shall provide a release of the Galeria Dominikanska Sp. z.o.o. pledge and any other encumbrance made in favor of Mizrahi Tefahot Bank Ltd under the credit facility with G City.

1.35. CONTINGENCIES

The circumstances of the acquisition of 88,815,500 Austrian Depositary Certificate ("ADCs") representing shares of G City Europe announced in August 2007 (the "ADC Purchases"), security issuances and associated events have been subject to regulatory investigations and other proceedings that continue in Austria.

With regard to these investigations and proceedings, G City Europe continues to be subject to certain claims submitted by ADC holders alleging losses derived from price fluctuations in 2007 and associated potential claims, although as at 31 December 2023, G City Europe was not a party in any material proceedings.

Based on current knowledge and management assessment in conjunction with its advisors in respect of the actual outcome of claims to date in the Austrian proceedings, the terms of and methodologies adopted in previous compensation arrangements, the expected cost and implications of implementing those arrangements, a total provision of €2.6 million has been estimated by the Company. Certain further information ordinarily required by IAS 37, 'Provisions, contingent liabilities and contingent assets', has not been disclosed on the grounds that to do so could be expected to seriously prejudice the resolution of these issues, in particular certain details of the calculation of the total provision and the related assumptions. The criminal investigations pending against Mr. Julius Meinl and others relating to events that occurred in 2007 and earlier remain ongoing. The public prosecutor directed G City Europe to reply to the allegations and started criminal investigation proceedings against G City Europe based on the Austrian Corporate Criminal Liability Act. It is uncertain whether this legislation, which came into force in 2006, is applicable to G City Europe. In any event, G City Europe believes a finding of liability on its part would be inappropriate and, accordingly, intends to actively defend itself.

There is continuing uncertainty in the various economies and jurisdictions in which the Group has its operations and assets. These uncertainties relate to the general economic and geopolitical environment in such regions and to changes or potential changes in the legal, regulatory and fiscal frameworks and the approach taken to enforcement which may include actions affecting title to the Group's property or land and changes to the previously accepted interpretation of fiscal rules and regulations applied by the authorities to the Group's fiscal assets and liabilities.

Certain subsidiaries within the Group are, or have been, like other companies operating in the retail market, involved in legal and/or administrative proceedings involving the tax authorities. These past and present proceedings create uncertainty around tax policies in matters previously regarded as established but which are now subject to revised interpretation by the tax authorities.

Tax authorities in Poland are currently reviewing a withholding tax treatment for 2018-2020 including international exchange of tax information as part of their regular audit procedures.

In 2019 the Group initiated a liquidation of prior legacy structure in Denmark and received a binding withholding tax ruling application which is currently under Danish tax authorities review. The risk of a potential claim is currently considered as low.

The Company can currently not reliably estimate the potential amount of any additional taxation and associated costs, but the impact may be significant.

Since end of January 2024, a wholly owned subsidiary, MEL 1, the owner of land plot in Turkey, is a plaintiff in a case related to land registration annulment correction and the illegal change in Mel 1 shares ownership registration. In our opinion, after consultation with legal counsel, the outcome of such matter is highly expected to be ruled in favor of MEL 1. Therefore, as of the reporting date, the outcome of such matter is not expected to have a material effect on our financial position, results of operations or cash flows. It is confirmed by the legal counsel that Atrium Group Services B.V. is still the legal and sole shareholder of MEL 1 as of the reporting date.

1.36. SUBSEQUENT EVENTS

In January 2024, the Group bought back additional €3.8 million of the outstanding 2025 Notes with a gain in €0.2 million. As of 29 February, the nominal outstanding amount of the 2025 Notes is €326.0 million.

In January 2024, the Group completed the sale of the Arkády Pankrác shopping centre in Prague, Czech Republic, for a gross consideration of €259.0 million approximately at its book value.

In February 2024, the Group granted additional amount of €59.8 million within a related party credit facility to Gazit Midas Limited. As of 29 February 2024, the utilised amount provided to the related party was €106.8 million.

On 29 February 2024, the Board of Directors approved additional buy back of the outstanding 2025 and 2027 Notes in total nominal amount of €200.0 million.

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Report on the Audit of the Consolidated Financial Statements

Independent Auditors' Report

To the shareholders of G-City Europe Limited.

Opinion

We have audited the consolidated financial statements of G-City Europe Limited and its subsidiaries ("the company"), which comprise the consolidated statement of financial position as of December 31, 2023 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit matter	How out audit addressed the key audit matter
Valuation of investment properties As described in Notes 1.3, 1.30 and 1.25 to the consolidated financial statements, the Company's investment properties are measured at fair value and revaluation gains and losses are recognized in profit or loss. As of December 31, 2023, the Company's investment properties total approximately Euro 1,788 million, accounting for 69.6% of the Company's assets. The profit from the revaluation of investment property in the year ended December 31, 2023 amounted to Euro 39 million. The fair value of investment property was measured as follows: The fair value of commercial and industrial properties and land held for capital appreciation is determined using the DCF method and CUP method based on the expected future cash flows from the properties and comparable transactions in similar properties in the market with adjustment to the specific property features and use of discount rates that take into consideration the inherent risk of the properties. The valuation of investment property requires those charged with governance and management to use judgment in making estimates and evaluations while maximizing the reliance on relevant observable parameters and minimizing the use of unobservable parameters. In measuring the fair value, the Company relies on significant estimates that involve uncertainty and subjective assumptions that cannot be observed in the market (Level 3). Changes in these estimates and assumptions are likely to have a material impact on the estimated fair value of investment property disclosed in the Company's financial statements. We identified this matter as a key audit matter due to the extensive use of judgments and estimates by management and those charged with governance.	• Understanding the internal control environment for determining the fair value of investment property and auditing the effectiveness of the relevant internal controls for fair value measurement. • Evaluating the competence and independence of the valuation experts hired by the Company. • Examining the adequacy of the fair value measurement methodology and verifying its correspondence to the property being measured. • Analyzing the key assumptions and matters that involve extensive judgment and understanding the methods used by the Company's valuation experts for fair value measurement. • Examining on a test basis the accuracy and completeness of the information delivered by the Company to the valuation experts. • Assessing the reasonableness of the basic assumptions applied in the valuations on a test basis which included variable rental income, capitalization rates and previous year's results. • Maintaining direct communication with the Company's management and its hired valuation experts. • Examining the proper application of assumptions in fair value measurement and testing the calculations in a sample of valuations. • Assessment of the adequacy of the disclosures relating to the valuation methods and assumptions used by the valuation experts.

Other information included in The Company's 2023 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The board of directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities 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 misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

Building a better working world

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content 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 to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent report is Mr. Assaf Rabinovitz.

February 29, 2024

Tel Aviv, Israel

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