Atrium Finance Plc

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

Atrium Finance Plc

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Contents

Board of Directors and other officers

Board of Directors:	Ryan Alexander Lee Lyubov Musova Loucas Louca Liad Barzilai (resigned on 1 June 2022) Georgios Triantafyllou (resigned on 30 April 2022)
Company Secretary:	Stamatia Ananiades (appointed on 15 May 2023) Andreas Xenofontos (resigned on 15 May 2023)
Independent Auditors:	PricewaterhouseCoopers Limited Certified Public Accountants and Registered Auditors 6, Karaiskakis Street City House 3032 Limassol, Cyprus
Audit Committee:	Andreas Georgiou (appointed on 22 December 2022) Kostas Klokkaris (appointed on 22 December 2022, resigned on 3 April 2023) Bartosz Kolacinski (appointed on 22 December 2022) Liran Shechter (appointed on 3 April 2023)
Registered office:	MGO Protopapas Building Leoforos Spyrou Kyprianou 79 3076, Limassol, Cyprus
Bankers:	Citibank N.A. London Bank of Cyprus Public Company Ltd
Registration number:	HE394678

Consolidated Management Report

The Board of Directors presents its report and audited consolidated financial statements of Atrium Finance Plc ("the Company") and its subsidiary (together with the Company, the "Group") for the year ended 31 December 2022.

Incorporation
Atrium Finance Plc was incorporated in Cyprus on 19 February 2019 as a public limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at MGO Protopapas Building, Leoforos Spyrou Kyprianou 79, 3076, Limassol, Cyprus.

Principal activities and nature of operations of the Group
The principal activity of Atrium Finance Plc and its subsidiary, is the provision of financing to the Atrium Group, (which is G City Europe Limited, formerly known as Atrium European Real Estate - a Jersey, Channel Islands domiciled company, together with its subsidiaries , collectively known as Atrium Group), and external borrowers as well as financial management activities. The Group mainly provides loans to fellow subsidiaries, therefore it operates as one segment and does not analyse its results by segments. The financial data presented in the consolidated statement of profit or loss and consolidated statement of financial position are presenting the whole activities of the Group as one segment.

Review of current position, and performance of the Group's business
The Group's development to date, financial results and position as presented in the consolidated financial statements are considered satisfactory.

In February 2021, the Company's subsidiary issued a €300.000.000 inaugural green bond ("Green Notes") under a Euro Medium Term Note ('EMTN") Programme. The Green Notes were issued at a price of 98,167%, are due 5 September 2027 and carry a fixed 2,625% coupon. The Green Notes are guaranteed by G City Europe Limited (formerly known as Atrium European Real Estate). In February 2021, the proceeds from the issuance were used to grant a loan to G City Europe Limited in a nominal amount of €300.000.000 with a fixed interest rate of 2,625% p.a. and due date of September 2027. On 1 December 2022, the Company's subsidiary assigned the Note to the Company. This transaction was fully eliminated in the consolidated financial statements.

Principal risks and uncertainties
The principal risks and uncertainties faced by the Group are disclosed in notes 6 and 7 of the consolidated financial statements.

Future developments of the Group
The Group's borrowers base is expected to diversify and expand. Atrium Group, to which the Group acts as the financing centre, announced, as part of its five year strategic plan, to diversify its portfolio by investing in and managing residential for rent real estate, with a focus on major cities in Poland. The strategy targets a portfolio of more than 5.000 apartments by 2025. Atrium Group has secured around 650 units through acquisitions and broke ground on a development of its first 200 units.

Existence of branches
The Group does not maintain any branches.

Use of financial instruments by the Group
The Group's activities expose it to a variaty of financial risks as disclosed in note 6. The risk management policies employed by the Group are disclosed in note 6.

Results
The Group's results for the year are set out on page 10.

Dividends
The Board of Directors does not recommend the payment of a dividend.

Share capital
On 5 September 2022, the directors of the Company increased the authorised share capital of the Company from 3.500 ordinary shares of nominal value EUR 1 each to EUR 100.000 divided into 100.000 ordinary shares of nominal value EUR 1 each. On the same day, the directors of the Company authorised the issue and allotment of 25.436 ordinary share of nominal value of EUR 1 in the share capital of the Company for a total subscription price of EUR 25.436.

Board of Directors
The members of the Company's Board of Directors as at 31 December 2022 and at the date of this report are presented on page 1. Mr. Liad Barzilai and Mr. Georgios Triantafyllou who were appointed as directors at the date of incorporation resigned on 1 June 2022 and 30 April 2022 respectively.

Pursuant to the regulation 92 of the Articles of Association of the Company the Directors have the power at any time, and from time to time, to appoint any person to be Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the following Annual General Meeting and shall then be eligible for re-election.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Audit Committee
On 22 December 2022, the Board of Directors established an Audit Committee comprised of Messrs Andreas Georgiou, Kostas Klokkaris and Bartosz Kolacinski. Mr. Liran Shechter was appointed on 3 April 2023. Mr Kostas Klokkaris resigned on 3 April 2023. These appointments were ratified by an Extraordinary General Meeting on 19 May 2023.

Events after the reporting period
The material post balance sheet events which have a bearing on the understanding of the consolidated financial statements are disclosed in note 20 to the consolidated financial statements.

Independent Auditors
The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Stamatia Ananiades
Secretary

Limassol, 30 June 2023

Independent Auditor's Report
To the Members of Atrium Finance Plc

Report on the Audit of the Consolidated Financial Statements

Our opinion
In our opinion, the accompanying consolidated financial statements of Atrium Finance Plc (the "Company") and its subsidiary (together the "Group") give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited
We have audited the consolidated financial statements which are presented in pages 9 to 34 and comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flow for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

Independence
We remained independent of the Group throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans receivable from related parties (Notes 6.2 (ii) and 13 to the consolidated financial statements) We considered the expected credit loss ("ECL") assessment of the loans receivable from related parties, whose net value amounted to €1.208.171 thousands as at 31 December 2022, to be a key audit matter. This is due to the magnitude of these loan balances as compared to the consolidated statement of financial position. The loss allowance recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 in relation to the loans receivable from related parties was €1.868 thousands. Refer to Notes 6.2, 7 and 13 of the consolidated financial statements for further information.	We performed the following procedures: • We understood the process followed by the Board of Directors. • We determined the repayment terms of the loans in line with the loan agreements. • With respect to the ECL calculation, we assessed the categorisation of the loans to stages by reviewing the actual performance of the loans. We assessed the financial position of the counterparties of the loans by reviewing the latest available financial information in order to assess where there was a significant increase in the credit risk. • We assessed whether the methodology and model applied by the Company were in accordance with the requirements of IFRS. • We assessed the scenarios, assumptions and the LGD assessment made by the Board of Directors, which were based on the net asset value of the counterparties of the loans including the fair values of the underlying real estate properties as adjusted by relevant haircuts. In making these assessments we have leveraged support from PwC Poland where most of the underlying properties are located. Further, we assessed indicators for potential management bias. • We have assessed the disclosures included in Notes 6.2, 7 and 13 of the consolidated financial statements around expected credit losses. The results of the above procedures were satisfactory for the purposes of our audit.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 the Board of Directors and those charged with governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors 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, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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 ISAs 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 ISAs, we exercise professional judgement 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and 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 a true and fair view.
- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company on 11 February 2020 by the Board of Directors for the audit of the consolidated financial statements for the period from 19 February 2019 (date of incorporation) to 31 December 2019. Our appointment has been renewed annually, since then, by shareholder resolution. On 26 February 2021 the Company issued a Note on the Luxembourg stock exchange and accordingly the first financial year that the Company qualified as a European Union Public Interest Entity was the year ended 31 December 2021. Since then, the total uninterrupted appointment has been 2 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 30 June 2023 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements or the consolidated management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the consolidated management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated management report. We have nothing to report in this respect.
- Up until 22 December 2022 the Company did not maintain an Audit Committee. On 22 December 2022 the Board of Directors established an Audit Committee composed of members who were not members of the Board of Directors. These practices did not comply with the requirements of Article 78 of the Auditors Law. The appointment was ratified by an Extraordinary General Meeting on 19 May 2023 and since that date the requirements of Article 78 of the Auditors Law have been met.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Yiangos Kaponides.

Yiangos Kaponides
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

City House, 6 Karaiskakis Street,
CY-3032 Limassol, Cyprus

30 June 2023

Atrium Finance Plc

Consolidated statement of profit or loss and other comprehensive income
31 December 2022

	Note	**2022** **EUR' 000**	2021 EUR' 000
Interest Income	13	**75.826**	88.864
Other income	17.1	**85**	123
Interest expense	16	**(69.040)**	(80.264)
Net foreign exchange profit		**1.923**	1.637
Loss from the sale of derivative financial instrument	17.5	**(10.162)**	-
Change in fair value of derivative financial instruments	17.5	**-**	9.239
Swap fee expense	17.6	**(845)**	(1.797)
Administration expenses		**(989)**	(504)
Loss allowance		**(1.868)**	(412)
Net (loss)/profit for the year		**(5.070)**	16.886
Tax	10	**-**	-
Net (loss)/profit for the year		**(5.070)**	16.886
Other comprehensive income		**-**	-
Total comprehensive (loss)/income for the year		**(5.070)**	16.886

The notes on pages 14 to 34 form an integral part of these consolidated financial statements.

Consolidated statement of financial position
31 December 2022

	Note	2022 EUR' 000	2021 EUR' 000
ASSETS			
Non-current assets			
Derivative swap	12	**-**	10.162
Loans receivable	13	**30.790**	19.760
Loans receivable from related parties	13	**1.166.283**	1.676.004
		1.197.073	1.705.926
Current assets			
Other receivables		**988**	67
Loans receivable	13	**27.265**	416
Loans receivable from related parties	13	**41.888**	16.109
Cash and cash equivalents	14	**446.885**	361.359
		517.026	377.951
Total assets		**1.714.099**	2.083.877
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**26**	1
Share premium	15	**123.943**	123.943
Other capital funding		**177**	177
Retained earnings		**12.928**	17.998
Total equity		**137.074**	142.119
Non-current liabilities			
Borrowings	16	**1.224.970**	1.605.296
		1.224.970	1.605.296
Current liabilities			
Other payables		**191**	105
Borrowings	16	**351.864**	336.357
		352.055	336.462
Total liabilities		**1.577.025**	1.941.758
Total equity and liabilities		**1.714.099**	2.083.877

On 30 June 2023 the Board of Directors of Atrium Finance Plc authorised these consolidated financial statements for issue.

Lyubov Musova
Director

Loucas Louca
Director

The notes on pages 14 to 34 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
31 December 2022

	Note	Share capital EUR' 000	Share premium EUR' 000	Capital reserve EUR' 000	Retained earnings/ (Accumulated losses) EUR' 000	Total EUR' 000
Balance at 1 January 2021		**1**	**122.000**	**177**	**1.112**	**123.290**
Comprehensive income						
Net profit for the year		-	-	-	16.886	16.886
Total comprehensive income for the year		-	-	-	16.886	16.886
Transactions with owners						
Issue of shares	15	-	107.143	-	-	107.143
Share premium reduction	15	-	(105.200)	-	-	(105.200)
Total transactions with owners		-	1.943	-	-	1.943
Balance at 31 December 2021		**1**	**123.943**	**177**	**17.998**	**142.119**
Balance at 31 December 2021/ 1 January 2022		**1**	**123.943**	**177**	**17.998**	**142.119**
Comprehensive income						
Net loss for the year		-	-	-	(5.070)	(5.070)
Total comprehensive loss for the year		-	-	-	(5.070)	(5.070)
Transactions with owners						
Issue of shares	15	25	-	-	-	25
Total transactions with owners		25	-	-	-	25
Balance at 31 December 2022		**26**	**123.943**	**177**	**12.928**	**137.074**

The only reserve which is available for distribution is the retained earnings in the separate financial statements of the Company. The share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Atrium Finance Plc

Consolidated cash flow statement
31 December 2022

	Note	**2022**	2021
		EUR' 000	EUR' 000
Cash generated from operations			
Cash paid to employees		**(402)**	(155)
Cash paid to expenses		**(638)**	(347)
Payments for loans granted		**(74.050)**	(450.411)
Interest received		**79.419**	103.879
Interest paid		**(68.740)**	(78.065)
Loans repayments received		**513.446**	267.389
Service fee received		**-**	123
Other receivables received		**2.098**	34
Swap fees paid		**(845)**	(6.262)
Payment for other payables		**(2.582)**	-
Net cash generated from/(used in) operating activities		**447.706**	(163.815)
Cash flows from investing activities			
Effect of cash received due to merger		**-**	1.968
Net cash generated from investing activities		**-**	1.968
Cash flows from financing activities			
Proceeds from issue of share capital	15	**25**	-
Payment from share premium reduction	15	**-**	(105.200)
Repayments of borrowings to related parties		**(480.032)**	(112.631)
Proceeds from borrowings and advances from related parties		**115.093**	292.000
Proceeds from loans from related companies		**-**	439.213
Proceeds from deposits		**817**	-
Net cash (used in)/generated from financing activities		**(364.097)**	513.382
Net increase in cash and cash equivalents		**83.609**	351.535
Cash and cash equivalents at beginning of the year		**361.359**	7.580
Effect of exchange rate fluctuations on cash held		**1.917**	2.244
Cash and cash equivalents at end of the year		**446.885**	361.359

The notes on pages 14 to 34 form an integral part of these consolidated financial statements.

1. Incorporation and principal activities

Country of incorporation

Atrium Finance Plc (the "Company") was incorporated in Cyprus on 19 February 2019 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Subsequently, the Company was converted into public entity on 10 November 2022. Its registered office is at MGO Protopapas Building, Leoforos Spyrou Kyprianou 79, 3076, Limassol, Cyprus.

Principal activities

The principal activity of Atrium Finance Plc and its subsidiary, is the provision of financing to the Atrium Group, (which is G City Europe Limited, formerly known as Atrium European Real Estate - a Jersey, Channel Islands domiciled company, together with its subsidiaries , collectively known as Atrium Group), and external borrowers as well as financial management activities. The Group mainly provides loans to fellow subsidiaries, therefore it operates as one segment and does not analyse its results by segments. The financial data presented in the consolidated statement of profit or loss and consolidated statement of financial position are presenting the whole activities of the Group as one segment.

Operating Environment of the Group

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. As at the date of authorising these financial statements for issue, the conflict continues to evolve as military activity proceeds. In addition to the impact of the events on entities that have operations in Russia, Ukraine, or Belarus or that conduct business with their counterparties, the conflict is increasingly affecting economies and financial markets globally and exacerbating ongoing economic challenges.

The European Union as well as United States of America, Switzerland, United Kingdom and other countries imposed a series of restrictive measures (sanctions) against the Russian and Belarussian government, various companies, and certain individuals. The sanctions imposed include an asset freeze and a prohibition from making funds available to the sanctioned individuals and entities. In addition, travel bans applicable to the sanctioned individuals prevents them from entering or transiting through the relevant territories. The Republic of Cyprus has adopted the United Nations and European Union measures. The rapid deterioration of the conflict in Ukraine may as well lead to the possibility of further sanctions in the future.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the conflict prevails and the high level of uncertainties arising from the inability to reliably predict the outcome.

Management has considered the unique circumstances and the risk exposures of the Group and has concluded that there is no significant impact in the Group's profitability position. The event is not expected to have an immediate material impact on the business operations. Management will continue to monitor the situation closely and will assess the need for impairment of financial assets in case the crisis becomes prolonged.

2. Basis of preparation

These consolidated financial statements of the Copany and its subsidiary (the "Group") have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. These consolidated financial statements have been prepared under the historical cost basis except for the derivatives that have been measured at fair value.

As of the date of the authorisation of the consolidated financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2022 and are relevant to the Group's operations have been adopted by the European Union (EU) through the endorsement procedure established by the European Commission.

2. Basis of preparation (continued)

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Group's accounting policies. These are involving a higher degree of judgement or complexity, and where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 7.

3. Adoption of new or revised standards and interpretations

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2022. This adoption did not have a material effect on the accounting policies of the Group.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements unless otherwise stated.

Going concern basis

The financial statements of the Group have been prepared on a going concern basis.

Basis of consolidation

The Company prepares the consolidated financial statements as required by IFRS 10. The Group's consolidated financial statements comprise the financial statements of the parent Company Atrium Finance Plc and the financial statements of its subsidiary Atrium Finance Issuer B.V., which was incorporated in 2020.

The financial statements of all the Group companies are prepared using uniform accounting policies. All inter-company transactions and balances between Group companies have been eliminated during consolidation.

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over th investee.

Segmental reporting

The Group has a single operating segment and for this reason its operations are not analysed by operating segments. The Group has loan portfolio in various countries.

Revenue

Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised on the face of the consolidated financial statement of profit or loss and other comprehensive income as "Interest income". Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit - impaired financial assets - Stage 3 the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Employee benefits

The Group and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Group's contributions are expensed as incurred and are included in staff costs.

4. Significant accounting policies (continued)

Service fee

Service fee relates to the provision of bond administration services including bookkeeping, maintaining records of payments and balances, ensuring compliance witht he bond terms and remitting any funds pursuant to any loan obligations. Service fee is recognised in the period in which it relates. Service fee income is included in other income in the consolidated statement of profit or loss and other comprehensive income.

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Any subsidiaries acquired from related parties are recorded at the transaction price of the relevant sale and purchase agreement. Subsidiaries acquired from the shareholder in a share for exchange are recorded at the fair value, which approximates the net assets of the subsidiary acquired.

Investment in subsidiary company is stated at cost less provision for impairment in value. Investment in subsidiary is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fiar value less costs to sell and value in use. An impairment loss recognised is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

Borrowing costs

Borrowing costs consists of loan interest expense and interest on bonds issued by the Group. Interest expense and other borrowing costs is recognised on a time-proportion basis using the effective interest method. Interest expense represents the main cost to the Group and is presented separetely in the consolidated statement of profit or loss in the same way as other main Group revenue or cost.

Foreign currency translation

(1) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euro (EUR' 000), which is the Group's presentation currency and the functional currency of each of the Group's entities.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation, when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Tax

The tax expense for the period comprised current tax and is recognised in profit or loss.

The current income tax charge (or tax loss) is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Group operates and generates taxable income. There is a policy to transfer tax losses, where needed, among companies of the same tax group. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

4. Significant accounting policies (continued)

Tax (continued)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Financial assets - Classification

The classification depends on the Group's business model for managing the finanncial assets contractual cash flow characteristics of the assets. Management determines the classification of financial assets at initial recognition.

The Group classifies its financial assets at amortised cost. Financial assets at amortised cost are held for collection of contractual cash flows and their cash flows represent solely payments of principal and interest. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Group's financial assets at amortised cost comprise of loans and other receivables and cash and cash equivalents on the consolidated statement of financial position. Cash flows associated with granting of loans are presented under cash generated from operations in the cash flow statement.

Financial assets - Recognition and derecognition

Purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

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

Financial assets - Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. The Group's financial assets are subsequently measured at amortised cost, except for financial assets at FVTPL: this classificationis applied to derivatives.

Financial assets - impairment - credit loss allowance for Expected Credit Loss (ECL)

The Group assesses on a forward-looking basis the ECL for debt instruments measured at Amortised Cost (AC). The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of profit or loss and other comprehensive income. Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

Debt instruments measured at amortised cost (AC) are presented in the consolidated statement of financial position net of the allowance for ECL.

For financial assets at amortised cost that are subject to impairment under IFRS 9, the Group applies the general approach - three stage model for impairment. The Group's definition of this model and credit impaired assets is explained in note 6, Credit risk section.

4. Significant accounting policies (continued)

Financial assets (continued)

Financial assets -Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write-off

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

Financial assets - modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR (Significant increase in credit rirsk) has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI (Solely Payment of Principal and Interest) criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash at bank and deposits with original maturity being weekly and quarterly.

Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for financial liabilities at FVTPL: this classification is applied to derivatives.

4. Significant accounting policies (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the consolidated statement of financial position.

Other payables

Other payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Prepayments

Prepayments are carried at cost less provision for impairment.

Share capital and Share Premium

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. Fair values are obtained from quoted market prices and discounted cash flow models. Derivatives are included within financial assets at fair value through profit or loss when fair value is positive and within financial liabilities at fair value through profit or loss when fair value is negative. Changes in the fair value of derivative instruments are recongised in profit or loss.

Any gain or loss arising on disposal is recognised directly in profit or loss and presented in the statement of profit or loss as applicable.

5. New accounting pronouncements

At the date of approval of these consolidated financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the consolidated financial statements of the Group.

6. Financial risk management

Financial risk factors

The Group is exposed to interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

6.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest- bearing financial instruments was:

	2022 **EUR' 000**	2021 EUR' 000
Fixed rate instruments		
Financial assets	**1.215.371**	1.700.099
Financial liabilities	**(1.230.014)**	(1.605.296)
Variable rate instruments		
Financial assets	**377.101**	348.994
Financial liabilities	**(338.667)**	(328.160)
	23.791	115.637

6.2 Credit risk

Credit risk arises from contractual cash flows of debt investments carried at amortised cost and cash and cash equivalents.

(i) Risk management

For banks and financial institutions, the Group has established policies whereby substantially all of the bank balances are held with institutions with credit ratings of an investment grade or better.

The deposit placed in the group treasury function is readily convertible to cash and is available for the purpose of short-term liquidity needs and is subject to an insignificant risk of changes in value.

Otherwise, if there is no independent rating, Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Group is exposed to a credit risk from its operating activities. The credit exposure is primarily comprised of loan transactions conducted with Group companies within the normal course of business.

(ii) Impairment of financial assets

The Group has financial assets at amortised cost that are subject to the expected credit loss model. These are subject to impairment under IFRS 9 and the Group applies the three-stage model for impairment.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

6. Financial risk management (continued)

6.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

For the Group to determine when a significant increase in credit risk occurs, it considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations, including change of the Net asset position of the counterparty to Net liability position.
- actual or expected significant changes in the operating results of the counterparty
- significant increases in credit risk on other financial instruments of the same counterparty
- significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of counterparty in the Group and changes in the operating results of the counterparty.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

When the above criteria for significant increase in credit risk occurs the Group recategorize the loan receivable from stage 1 to following stages. If the triggering event is change of the Net asset position of the counterparty to Net liability position then the financial assets are recategorized to stage 3 and impairment is recognised.

A default on a financial asset is when the counterparty fails to make contractual payments 14 days after the receivable is called but not settled. Loans to third parties become default from the first day of failing to make contractual payments.

6. Financial risk management (continued)

6.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

The majority of the Group's loans receivable are from the fellow subsidiaries in Poland; Czech Republic, Netherlands and Russia. The majority of the Company's loans receivable are from Atrium Group subsidiaries: Atrium Group Services B.V. (21%), Atrium Promenada Sp. Z.o.o (5%), Atrium Targowek Sp. Z.o.o (5%) and parent company, G City Europe Limited (23%). On an overall basis the management's assessment is that ultimately there is no significant concentration of credit risk because the concentration of the customers of Group's borrowers is spread over a large number of counterparties.

Loans receivable, on an individual basis, are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A loan receivable is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably. Management uses different scenarios as part of the assessment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between the carrying amount of the loan and the adjusted net asset value of the relevant borrower. The adjusted net asset value of the borrower has been determined on the basis of the fair values of the underlying real estate properties after applying a liquidation haircut and the carrying amounts of the remaining assets and liabilities of its subsidiaries (which predominantly own real estate properties). The fair value of most of the properties have been valued by independent reputable professional valuators. Losses are recognised in profit or loss and reflected in an allowance account against loans receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The key assumption in making the assessment is the fair value of the underlying properties.

The Company holds collateral as security for loans receivable from third parties (note 13).

The Group assesses its exposure to credit risk arising from cash at bank and deposits from fellow subsidiaries. This assessment takes into account, ratings from external credit rating institutions and internal ratings, if external are not available. Cash and cash equivalents are also classified as stage 1 for impairments. The estimated loss allowance on cash and cash equivalents as at 31 December 2022 and 31 December 2021 was immaterial.

Loans receivable

The loss allowance for financial assets at amortised cost as at 31 December reconciles to the opening loss allowance as follows:

	Loans Receivable from fellow subsidiaries EUR' 000
Opening loss allowance as at 1 January 2021	968
Increase in loan loss allowance recognised in profit or loss during the year	412
Closing loss allowance as at 31 December 2021	1.380
Increase in loan loss allowance recognised in profit or loss during the year	1.868
Closing loss allowance as at 31 December 2022	3.248

The loss allowance for loans receivable from third parties and ultimate parent company is immaterial.

6. Financial risk management (continued)

6.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

The gross carrying amounts below represent the Group's maximum exposure to credit risk on loans receivable from fellow subsidiaries as at 31 December 2022 and 31 December 2021:

Group internal credit rating	**2022**	2021
	EUR' 000	EUR' 000
Performing (Stage 1)	**911.326**	1.396.418
Not performing (Stage 3)	**3.248**	1.380
Total	**914.574**	1.397.798

The loans from ultimate parent company and third parties are performing (Stage 1).

The loss allowance for the loans receivable from fellow subsidiaries as at 31 December 2021 and 31 December 2022 reconciles to the opening loss allowance for that provision as follows:

	Stage 3 Non-performing	Total
	EUR' 000	EUR' 000
Opening balances as at 1 January 2021	(968)	(968)
Individual financial assets transferred to non - performing (credit-impaired financial assets)	(412)	(412)
Loss allowance at 31 December 2021	(1.380)	(1.380)
Individual financial assets transferred to non - performing (credit-impaired financial assets)	(1.778)	(1.778)
Change in risk parameters	(90)	(90)
Closing loss allowance at 31 December 2022	(3.248)	(3.248)

Cash and cash equivalents

The Group assesses, on a group basis, its exposure to credit risk arising from cash at bank. This assessment takes into account, ratings from external credit rating institutions and internal ratings, if external are not available.

The gross carrying amounts below represent the Group's maximum exposure to credit risk on these assets as at 31 December 2022 and 31 December 2021:

Name of institution	**External credit rating**	**2022**	2021
		EUR' 000	EUR' 000
Bank of Cyprus	Ba2	**72**	-
Citibank London N.A	Aa3	**69.712**	12.366
IC Deposits (Note 17.11)	Ba3	**377.101**	348.993
Total		**446.885**	361.359

The ECL on current accounts is considered to be approximate to 0, unless the bank is subject to capital controls. The ECL on deposits accounts is calculated by considering published PDs for the rating as per Moody's and an LGD of 40-60% as published by ECB.

6. Financial risk management (continued)

6.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Cash and cash equivalents (continued)

The Group does not hold any collateral as security for any cash at bank balances.

There were no significant cash at bank balances written off during the year that are subject to enforcement activity.

6.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. The liquidity requirements arise primarly from the uncalled commitment under credit facility agreements with related parties and the need to service the Group's debt and operating expenses. These can be funded from annual net (operational) cash flow of the Group.

The Group's liquidity is managed by appropriate liquidity planning and through an adequate financing structure, which is linked to its capital management objectives.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities. The loans payable are presented at the earliest date that they can be recalled but the inter-company loans asset can also be called which allows to manage the liquidity. The table includes both interest and principal cash flows.

31 December 2022	Carrying amounts EUR' 000	Contractual cash flows EUR' 000	Between 1-12 months EUR' 000	2-5 years EUR' 000	More than 5 years EUR' 000
Deposits payable to fellow subsidiary company	338.667	341.299	341.299	-	-
Listed bonds issued and aquired by parent company	93.611	104.300	3.662	100.638	-
Bonds	296.846	339.375	7.875	331.500	-
Loans from parent company	842.627	886.755	-	886.755	-
Loans from fellow subsidiaries	5.082	17.094	5.236	5.852	6.006
Accruals	190	190	190	-	-
	1.577.023	**1.689.013**	**358.262**	**1.324.745**	**6.006**

31 December 2021	Carrying amounts EUR' 000	Contractual cash flows EUR' 000	Between 1-12 months EUR' 000	Between 2-5 years EUR' 000	More than 5 years EUR' 000
Deposits from fellow subsidiary	328.160	328.083	328.083	-	-
Bonds	295.695	347.250	7.875	31.500	307.875
Listed bonds issued and acquired by parent company	84.408	112.473	6.736	105.737	-
Loan from parent company	1.233.390	1.299.703	-	1.299.703	-
Derivative swap - gross outflows	79.487	98.595	1.671	6.683	90.241
Derivative swap - gross inflows	(89.649)	(90.449)	-	-	(90.449)
Accruals	106	106	106	-	-
	1.931.597	2.095.761	344.471	1.443.623	307.667

6. Financial risk management (continued)

6.4 Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Czech Koruna, Polish Zloty and Russian Rouble.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

		Liabilities		Assets		Net
	2022	2021	**2022**	2021	**2022**	2021
	EUR' 000	EUR' 000	**EUR' 000**	EUR' 000	**EUR' 000**	EUR' 000
Czech Koruna	**(165.633)**	(232.122)	**183.165**	254.028	**17.532**	21.906
Polish Zloty	**(494.616)**	(780.721)	**508.832**	844.432	**14.216**	63.711
Russian Ruble	**(93.667)**	(84.408)	**74.576**	83.748	**(19.091)**	(660)
	(753.916)	(1.097.251)	**766.573**	1.182.208	12.657	84.957

Sensitivity analysis
A 10% strengthening of the Euro against the following currencies at 31 December 2022 and 31 December 2021 would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

		Profit or loss
	2022	2021
	EUR' 000	EUR' 000
Czech Koruna	**(1.594)**	(2.470)
Polish Zloty	**(1.292)**	(5.662)
Russian Ruble	**1.736**	60
Derivative swap	**-**	6.161
	(1.150)	(1.911)

In 2022 the Russian Rouble fluctuated significantly against the Euro as a result of the Russian invasion in Ukraine.

6.5 Capital risk management

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt. The Group's goal is to maintain this gearing ratio at a level customary to its line of business.

The gearing ratios at 31 December were as follows:

	2022	2021
	EUR' 000	EUR' 000
Total borrowings (Note 16)	**1.576.834**	1.941.653
Less: Cash and cash equivalents (Note 14)	**(446.885)**	(361.359)
Net debt	**1.129.949**	1.580.294
Total equity	**137.074**	142.119
Total capital	**1.267.023**	1.722.413
Gearing ratio	**89,18%**	91,75%

7. Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Impairment of financial assets**

  The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 6, Credit risk section. If there are facts and circumstances suggesting that the receivable loans might be impaired, the adjusted net asset value of the borrower that holds investment properties at fair value, is determined by applying a liquidation haircut. This adjusted value is then used in the calculation of the loss allowance.

  The loss allowance is sensitive to changes of the liquidation haircut of the fair value of the underlying properties. An increase of the liquidation haircut to 5%, 10% and 30% in the ECL estimates calculated at 31 December 2022 would result in an increase in the credit loss allowances of €740 thousand, €1.585 thousand and €7.435 thousand.

8. Expenses by nature

	2022	2021
	EUR' 000	EUR' 000
Staff costs (Note 9)	**548**	194
Auditors' remuneration	**60**	67
Other expenses	**381**	243
Total expenses	**989**	504

The total fees charged by the statutory auditor in relation to the provision of statutory audit services totalled EUR 60 thousand (2021: EUR 67 thousand), tax advisory services totalled EUR 67 thousand (2021: EUR 38 thousand) and other services EUR 12 thousand (2021: EUR 0).

9. Staff costs

	2022	2021
	EUR' 000	EUR' 000
Salaries	**493**	169
Social security costs	**55**	25
	548	194
Average number of employees	**10**	10

10. Tax

The tax on the Group's results before tax differs from theoretical amount that would arise using the applicable tax rates as follows:

	2022	2021
	EUR' 000	EUR' 000
Net (loss)/profit for the year	**(5.070)**	16.886
Tax calculated at the applicable tax rates	**(634)**	4.382
Tax effect of expenses not deductible for tax purposes	**2.487**	51
Tax effect of allowances and income not subject to tax	**(850)**	(1.719)
Tax effect of tax losses brought forward	**(2)**	(2.271)
Tax effect of group tax relief	**(935)**	(443)
Foreign tax credit	**(66)**	-
Tax charge	**-**	-

The corporation tax rate is 12,5% and 25% of it's subsidiary. Brought forward losses of only five years may be utilised.

11. Investments in subsidiaries

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2022 Holding %	2021 Holding %
Atrium Finance Issuer B.V.	Netherlands	Financing	100	100

As from 1 December 2022, the subsidiary transferred its listed bond to the Company and had no activity thereafter.

12. Derivatives swap

Forward foreign currency contract

	2022	2021
	EUR' 000	EUR' 000
Assets		
Non-current portion	**-**	10.162
	-	10.162

The Company entered into a foreign currency swap agreement with its ultimate parent company. The derivative is used for economic hedging purposes and not as speculative investment. However, it does not meet the hedge accounting criteria. It is accounted for at fair value through profit or loss. Depending on the valuation result, the derivative is presented as non-current liability or asset as it is reviewed on a biannual basis.

The fair value measurement of the derivative is derived from inputs other than quoted prices in active markets. The inputs used to determine the future cash flows are based on the relevant yield curves and an appropriate discount rate. The inputs used are derived either directly or indirectly. Therefore, the derivative was classified as a Level 2 fair value measurement under IFRS 13.

The Company has terminated the currency swap agreement on 22 June 2022.

13. Loans receivable

	2022 EUR' 000	2021 EUR' 000
Gross Balance at 1 January	**1.713.669**	1.428.461
Impairment at 1 January	**(1.380)**	(968)
New loans	**122.171**	555.761
Repayments	**(641.432)**	(371.268)
Interest charged	**74.993**	87.890
Exchange difference	**73**	12.825
Loss allowance	**(1.868)**	(412)
Balance at 31 December	**1.266.226**	1.712.289

	2022 EUR' 000	2021 EUR' 000
Loans receivable from third parties	**58.055**	20.176
Loans receivable from fellow subsidiaries (Note 17.8)	**914.574**	1.397.798
Loans receivable from ultimate parent company (Note 17.8)	**296.845**	295.695
Loss allowance on loans receivable	**(3.248)**	(1.380)
	1.266.226	1.712.289
Less current portion	**(69.153)**	(16.525)
Non-current portion	**1.197.073**	1.695.764

The loans are repayable as follows:

	2022 EUR' 000	2021 EUR' 000
Within one year	**69.153**	16.525
Between one and five years	**448.163**	1.695.764
After five years	**748.910**	-
	1.266.226	1.712.289

The Group's loans receivable are denominated in the following currencies:

	2022 EUR' 000	2021 EUR' 000
Poland zloty	**496.090**	847.102
Euro	**512.506**	521.176
Chech Koruna	**183.110**	260.263
Russian Rouble	**74.520**	83.748
	1.266.226	1.712.289

The exposure of the Group to credit risk in relation to loans receivable is reported in note 6 of the consolidated financial statements.

The fair values of non-current receivables approximate to their carrying amounts as presented above. The average interest rate on fellow subsidiary loans receivable is 5.4% (2021: 5.7%) and the average maturity date is on 31 December 2028. The loan receivable from ultimate parent company bears a nominal fixed interest rate of 2.625% per annum payable in arrears on 1 September in each year and maturing in September 2027. Other loans receivable to third parties bear interest from 3% to 5% p.a and are repayable between the 31 July 2023 to 30 September 2027.

13. Loans receivable (continued)

There is no collateral on related party loans. For the loans receivable from third parties the Company 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 is estimated at EUR 42.962 thousand and exceeds the outstanding amount of the loan.

As at 31 December 2022, loan receivables from a fellow subsidiary of the Company have been impaired in the amount of EUR 1.868 thousand. (2021: EUR 412 thousand).

The majority of the loans receivable are repayable on demand. These loans have been classified as non-current assets in the statement of financial position as the Group confirmed that they intend and expect that these balances will remain outstanding for the foreseeable future.

The interest income line item in the statement or profit or loss and other comprehensive income includes interest from the above loans and an amount of EUR 733 thousand relating to interest on deposits.

14. Cash and cash equivalents

Cash balances are analysed as follows:

	2022	2021
	EUR' 000	EUR' 000
Cash at bank and in hand	**69.784**	12.365
Bank deposits	**377.101**	348.994
	446.885	361.359

EUR 56.987 thousand (2021: EUR 6.813 thousand) and EUR 12.742 thousand (2021: EUR 5.385 thousand) of bank balances are denominated in Euro and Polish zloty respectively and the remaining in various other currencies. The bank deposits are denominated in Euro.

The Company placed deposits of EUR 377.102 (2021: EUR 348.944) thousand with G City Europe Limited (formerly known as Atrium European Real Estate), which acts as the group treasury function. The interest of the weekly deposit is the ECB rate and both monthly and quartely deposits carry an interest of ECB rate + 0.15% margin. The deposit placed in the group treasury function is readily convertible to cash and is available for the purpose of short-term liquidity needs and is subject to an insignificant risk of changes in value.

The reconciliation of liabilities arising from financing activities is disclosed in Note 16.

At 31 December 2021, the Group made an electronic payment of EUR 8,8 million for settlement of a liability due to its parent entity. The cash payment was finally settled on 3 January 2022 as a result of a delay due to the bank administrative settlement process. As a result, the Board of Directors considered it appropriate to derecognise theliability at 31 December 2021.

Non-cash transactions

On the 7th of May 2021, the directors of the Company decided to enter into a cross border merger whereby the Company absorbed AGS Two B.V. The Company acquired the assets and liabilities of AGS Two B.V. comprising of loans receivable amounting to EUR 1.041.610 thousand, cash and cash equivalents of EUR 1.968 thousand and liabilities of EUR 936.435 thousand. In exchange for the assets and liabilities absorbed, the Company issued and allotted 1 ordinary share with a nominal value of EUR 1 at a premium of EUR 107.142.624, which represents the fair value of the assets and liabilities of AGS Two B.V acquired and approximates the net asset value of its assets and liabilities at the date of the merger, to the sole shareholder of AGS Two B.V., Atrium Holding 1 Limited. The merger became effective as from 27 October 2021 as determined by the District Court of Cyprus.

15. Share capital and share premium

	2022 Number of shares	**2022 EUR' 000**	2021 Number of shares	2021 EUR' 000
Authorised				
Ordinary shares of EUR 1 each	100.000	100	3.500	4

Issued and fully paid	**Number of shares**	**Share capital EUR' 000**	**Share premium EUR' 000**	**Total EUR' 000**
Balance at 1 January 2021	200	1	122.000	122.001
Issue of shares	4	-	107.143	107.143
Share premium reduction	-	-	(105.200)	(105.200)
Balance at 31 December 2021/ 1 January 2022	**204**	**1**	**123.943**	**123.944**
Issue of shares	25.436	25	-	25
Balance at 31 December 2022	**25.640**	**26**	**123.943**	**123.969**

On 5 September 2022, the directors of the company increased the authorised share capital of the Company from 3.500 ordinary shares of nominal value EUR 1 each to EUR 100.000 divided into 100.000 ordinary shares of nominal value EUR 1 each. On the same day the directors of the company authorised the issue and allotment of 25.436 ordinary shares of nominal value of EUR 1 in the share capital of the Company for a total subscription price of EUR 25.436.

On 27 October 2021, the directors of the Company authorised the issue and allotment of 1 ordinary share of nominal value of EUR 1 in the share capital of the Company at a premium of EUR 107.142.624. On 29 October 2021, the directors of the Company authorised the issue and allotment of 3 additional ordinary shares of nominal value of EUR1 in the share capital of the Company for a total subscription price of EUR 3 to G City Europe Holdings Limited (formerly known as, Atrium Holding 1 Limited).

During 2021, as a result of loan repayments made to the Company, a reduction of the share premium of the Company was approved by District Court of Cyprus amounting to EUR 105.200 thousand.

16. Borrowings

	2022 EUR' 000	2021 EUR' 000
Balance at 1 January	**1.941.653**	1.308.416
Additions	**115.093**	731.213
Repayments	**(540.897)**	(189.890)
Interest expense	**63.553**	78.485
Exchange difference	**(2.568)**	13.429
Balance at 31 December	**1.576.834**	1.941.653

16. Borrowings (continued)

	2022 EUR' 000	2021 EUR' 000
Current borrowings		
Listed bond issued and acquired by parent company (Note 17.10)	**1.831**	-
Listed bonds (Green Notes)	**2.524**	2.523
Deposits payable due to fellow subsidiaries (Note 17.10)	**338.667**	328.160
Loans from fellow subsidiaries (Note 17.10)	**5.082**	-
Loans payable to parent company (Note 17.10)	**3.760**	5.674
	351.864	336.357
Non-current borrowings		
Listed bond issued and acquired by parent company (Note 17.10)	**91.780**	84.408
Listed bonds (Green Notes)	**294.322**	293.172
Loan payable to parent company (Note 17.10)	**838.868**	1.227.716
	1.224.970	1.605.296
Total	**1.576.834**	1.941.653

Maturity of non-current borrowings:

	2022 EUR' 000	2021 EUR' 000
Between two and five years	**386.102**	84.408
After five years	**838.868**	1.520.888
	1.224.970	1.605.296

The Group borrowings are denominated in the following currencies:

	2022 EUR' 000	2021 EUR' 000
Polish zloty	**494.616**	784.818
Euro	**822.974**	839.329
Czech Koruna	**165.633**	233.098
Russian Rouble	**93.611**	84.408
	1.576.834	1.941.653

The fair values of non-current borrowings excluding the carrying value of listed bond issued and acquired by parent company of EUR 93.611 thousand and the green notes of EUR 294.322 thousand approximate to their carrying amounts as presented above.

The exposure of the Company's borrowings to interest rate changes amounts to EUR 843.912 (2021: EUR 1.227.716).

In February 2021, the Group issued a EUR 300 million inaugural green bond ("Green Notes") under a Euro Medium Term Note ("EMTN") Programme. Its fair value as at 31 December 2022 is equal to EUR 206.322 thousand. The Green Notes were issued at a price of 98,167%, where the note bears a fixed 2.625% coupon interest rate and an effective interest rate at 3.1%. Green notes have a maturity date of 5 September 2027. The Green Notes are guaranteed by the ultimate parent company of the Group, G City Europe Limited. On 1 December 2022, the Company's subsidiary assigned the Note to the Company.

The fair value of the bonds was determined by an external appraiser with reference to quoted prices.

16. Borrowings (continued)

The bond is subject to the following financial covenants: the Group solvency ratio shall not exceed 60%; the Group secured solvency ratio shall not exceed 40%; the Group coverage ratio shall not be less than 1.5. All covenants were met as at 31 December 2022.

Loans payable to parent company includes an issued Note in the amount of EUR 91.780 thousand. On 26 February 2021, the Company, issued a Note on the Luxembourg Stock Exchange with nominal value of RUB 7,2 bilion at par. Its fair value as at 31 December 2022 is equal to EUR 82.025 thousand (2021: EUR 77.614 thousand). The Note bears coupon rate at 7.98% p.a. and maturity date 1 March 2026. The average interest rate on loans payable is 4.8% (2021: 5.3%) and effective interest rate 5.10% (2021: 8.14%) on bonds. The loans are repayable by 31 December 2028.

The interest expense line item in the statement or profit or loss and other comprehensive income includes an amount of EUR 2.488 thousand relating to negative interest on bank deposits.

17. Related party transactions

The Company's immediate shareholders are G City Europe Holdings Limited (formerly known as Atrium Holding 1), Atrium Retail Limited (formerly known as Primewind Limited) and G City Europe Resi Limited which own 50%, 25% and 25% of the shares of the Company respectively, all which are wholly owned by G City Europe Limited (formerly known as Atrium European Real Estate Limited,) incorporated in Jersey and to the best of the Directors' knowledge, Norstar Holding Inc. is the ultimate parent company. The ultimate controlling party is Mr. Chaim Katzman, who is the controlling shareholder of Norstar Holding Inc. The company is controlled by G City Europe Holdings Limited, incorporated in Cyprus.

The ultimate parent entity which prepares the consolidated financial statements of the largest body of undertakings of which the Company forms part as a subsidiary undertaking, is G City Europe Limited, incorporated in Jersey, Channel Islands, with registered office at 11-15 Seaton Place St. Helier, Jersey and its consolidated financial statements are available at the website www.aere.com.

The balances and transactions with related parties are as follows:

17.1 Other Income

	2022	2021
	EUR' 000	EUR' 000
Service fee income	**85**	123
	85	123

The Group entered into an agreement with G City Europe Limited to provide G City Europe Limited with bond administration services ("Services") including bookkeping, maintaining records of payments and balances, sending payment statements, collecting payments, collecting and paying any taxes and managing any funds, ensuring compliance with the bond terms and remitting any funds pursuant to any loan obligations.

17.2 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	2022	2021
	EUR' 000	EUR' 000
Directors' fees	**-**	-
	-	-

17. Related party transactions (continued)

17.3 Interest Income

	2022	2021
	EUR' 000	EUR' 000
Interest Income from fellow subsidiaries	64.731	79.838
Interest income from ultimate parent company	9.090	8.081
	73.821	87.919

17.4 Interest expense

	2022	2021
	EUR' 000	EUR' 000
Interest expense to parent company	59.187	7.189
Interest expense to ultimate parent company	-	64.995
Interest expense to fellow subsidiaries	827	-
	60.014	72.184

17.5 Other gain/(loss)

	2022	2021
	EUR' 000	EUR' 000
Change in fair value of derivative financial instrument **(Note 12)**	(10.162)	9.239
	(10.162)	9.239

17.6 Other Income

	2022	2021
	EUR' 000	EUR' 000
Swap fee expense	845	1.797
	845	1.797

17.7 Receivables from related parties

	2022	2021
	EUR' 000	EUR' 000
Receivable from fellow subsidiary	431	44
Financial asset receivable from ultimate parent company	-	10.162
	431	10.206

17.8 Loans receivable from related parties (Note 13)

	2022	2021
	EUR' 000	EUR' 000
Loans receivable from fellow subsidiaries	911.325	1.396.418
Loans receivable from ultimate parent company	296.846	295.695
	1.208.171	1.692.113

The loans receivable from ultimate parent company were provided with repayment date 1 September 2027.

17.9 Payables to related parties

	2022	2021
	EUR' 000	EUR' 000
Payable to fellow subsidiary	30	11
	30	11

17. Related party transactions (continued)

17.10 Loans payable to related parties (Note 16)

	2022	2021
	EUR' 000	EUR' 000
Loans payable to parent company	**936.239**	1.317.798
Deposits payable to fellow subsidiary companies	**338.667**	328.160
Loans payable to fellow subsidiary	**5.082**	-
	1.279.988	1.645.958

The terms of the loans payable to related parties are disclosed in Note 16.

17.11 Cash and cash equivalents

Company placed deposit of EUR 377.101 thousand (2021: EUR 348.994 thousand) with G City Europe Limited (formerly known as Atrium European Real Estate), which acts as the group treasury function. The interest of the weekly deposit is the ECB rate and both monthly and quartely deposits carry an interest of ECB rate + 0.15% margin.

17.12 Cross border merger with fellow subsidiary under common control

On the 7th of May 2021, the directors of the Company decided to enter into a cross border merger whereby the Company absorbed AGS Two B.V. The Company acquired the assets and liabilities of AGS Two B.V. comprising of loans receivable amounting to EUR 1.041.610 thousand, cash and cash equivalents of EUR 1.968 thousand and liabilities of EUR 936.435 thousand. In exchange for the assets and liabilities absorbed, the Company issued and allotted 1 ordinary share with a nominal value of EUR 1 at a premium of EUR 107.142.624, which represents the fair value of the assets and liabilities of AGS Two B.V. acquired and approximates the net asset value of its assets and liabilities at the date of the merger, to the sole shareholder of AGS Two B.V., G City Europe Holdings Limited (formerly known as Atrium Holding 1 Limited). The merger became effective as from 27 October 2021 as determined by the District Court of Cyprus.

18. Contingent liabilities

The Group had no contingent liabilities as at 31 December 2022.

19. Commitments

The Group had no capital or other commitments as at 31 December 2022.

20. Events after the reporting period

In April 2023, the Company completed the sale of it's Russian portfolio for a gross consideration of EUR 66 million. Sales price was equal to the net assets value.

In May 2023, the Company completed the sale of a part of its portfolio in Czech Republic for a gross consideration of EUR 123 million. In addition, the Company proceed to repurchase the ruble note which was wholly purchased by G City Europe Holdings Limited. As at the date of repurchase, the fair value of the note was equal to EUR 87 million.

In addition, the Company purchased back a part the EUR 300 million green bond listed on the Luxembourg Stock Exchange. A total of EUR 34 million was settled resulting in a gain of EUR 9 million.