GTC HUNGARY REAL ESTATE DEVELOPMENT PLTD.

IFRS CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

WITH THE INDEPENDENT AUDITOR'S REPORT

Budapest, 22 March 2021

Ariel Ferstman	Yovav Carmi
Member of the Board	Member of the Board

GTC Hungary Real Estate Development Pltd.

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1476 Budapest, Pf.138.

Independent Auditor's Report

to the Shareholder of GTC Magyarország Ingatlanfejlesztő Zrt.

Opinion

We have audited the consolidated financial statements of GTC Magyarország Ingatlanfejlesztő Zrt. and its subsidiaries (the „Group"), which comprise the consolidated statement of financial position as at 31 December 2020, which shows an equal amount of total assets and total liabilities of EUR 475 623 thousands and the consolidated statement of comprehensive income which shows a net profit for the year of EUR 12 895 thousands, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRS").

Basis for Opinion

We conducted our audit in accordance with International on Auditing ("ISA"). 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 are independent of the Group in accordance with the applicable laws of Hungary, with the Hungarian Chamber of Auditors' Rules on ethics and professional conduct of auditors and on disciplinary process and, for matters not regulated in the Rules, with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code) and we also comply with further ethical requirements set out in these.

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

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 4 and Note 7 to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared for the Shareholder of GTC Magyarország Ingatlanfejlesztő Zrt. for the purpose of inclusion of GTC Magyarország Ingatlanfejlesztő Zrt. in Globe Trade Centre S.A group consolidation and for lending financial institutions. Furthermore, the Company issued 10-year green bonds to finance real estate acquistions, redevelopment and constructions of projects. As a result, the consolidated financial statements may not be suitable for another purpose. Our report is intended solely for GTC Magyarország Ingatlanfejlesztő Zrt., lending financial institutions and green bond holders and should not be distributed to or used by parties other than GTC Magyarország Ingatlanfejlesztő Zrt., lending financial institutions and green bond holders. Our opinion is not modified in respect of this matter.

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Responsibilities of Management and those charged with governance for the Consolidated Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management 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 in preparation of the financial statements. Management has to apply the going concern basis of accounting unless other relevant rules prevent its application or there are facts and circumstances contradicting the going concern principle.

Those charged with governance are responsible for overseeing the Groups'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 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the 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 management.

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- Conclude on the appropriateness of management's use of the going concern basis in the preparation of the financial statements 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives 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 report.

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.

Budapest, 22 March 2021

BDO Hungary Audit Ltd.
1103 Budapest, Kőér utca 2/A
Registration number: 002387

Péter Kékesi
Managing Director

BDO Magyarország Könyvvizsgáló Kft.
Eng.szám:
Licence nr.:
002387

Edmond Gaál
Statutory registered auditor
Registration number: 007299

GTC Hungary Real Estate Development Pltd.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2020
(in thousands of Euro)

	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Properties, plant and equipment	(16)	2,272	2,256
Investment property	(17)	206,138	259,419
Investment property landbank	(17)	113,545	65,398
Blocked deposits	(20)	1,545	1,354
Derivatives		-	134
		323,500	**328,561**
Current assets			
Trade receivables		162	3,125
Accrued income		102	286
Prepayments and deferred expenses		2,135	156
VAT receivable		1,893	595
Income tax receivable	(15)	137	133
Other current financial assets	(18)	-	44,611
Derivatives		-	36
Short-term deposits	(20)	2,328	2,978
Cash and cash equivalents	(19)	145,366	16,032
		152,123	**67,952**
TOTAL ASSETS		**475,623**	**396,513**
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	(2)	16	16
Non-controlling interest holders transaction reserve		-	2,758
Foreign currency translation reserve		(6,209)	(2,818)
Cash-flow hedge reserve	(22)	(5,952)	(151)
Retained profit		94,060	114,555
		81,915	**114,360**
Non-current liabilities			
Non-current portion of long-term borrowing, net of deferred debt expenses	(23)	217,716	106,430
Non-current portion of long-term loans from shareholders	(24)	139,989	135,782
Lease liability		41	37
Derivatives	(22)	7,703	266
Deferred tax liabilities	(15)	12,240	14,090
Deposits from tenants		1,545	1,354
		379,234	**257,959**
Current liabilities			
Trade payables and other payables	(21)	5,881	3,315
Deposits from tenants		52	261
Current portion of long-term borrowing	(23)	4,380	19,092
Lease liability current portion		25	25
VAT payable		269	356
Income tax payables		3,392	940
Advances received		196	136
Derivatives	(22)	279	69
		14,474	**24,194**
TOTAL EQUITY AND LIABILITIES		**475,623**	**396,513**

The accompanying notes are an integral part of this consolidated statement of financial position.

GTC Hungary Real Estate Development Pltd.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020
(in thousands of Euro)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Rental income	(8)	16,902	18,370
Service charge revenue	(9)	5,024	5,825
Service charge costs	(9)	(4,900)	(5,792)
Gross margin from operations		**17,026**	**18,403**
Profit from revaluation	(17)	15,073	27,771
Selling expenses	(10)	(262)	(502)
Administrative expenses	(11)	(1,212)	(2,020)
Other income / (expense), net	(13)	139	(67)
Profit from continuing operations before tax and finance income / cost		**30,764**	**43,585**
Finance income	(12)	1,991	751
Finance cost	(12)	(8,060)	(7,772)
Profit before tax		**24,695**	**36,564**
Taxation	(15)	(2,608)	(4,376)
Profit for the period		**22,087**	**32,188**
(Loss)/ gain on cash flow hedge	(22)	(6,296)	244
Deferred tax income / (loss) on cash-flow hedge	(15)	495	(22)
Net (loss) / gain on cash-flow hedge		(5,801)	222
Foreign currency translation loss		(3,391)	(791)
Total comprehensive income for the period, net of tax		**12,895**	**31,619**

The accompanying notes are an integral part of this consolidated statement of profit or loss and other comprehensive income

GTC Hungary Real Estate Development Pltd.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020
(in thousands of Euro)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**24,695**	**36,564**
Adjustments for			
Depreciation	(16)	102	114
Gain from revaluation of assets	(17)	(15,073)	(27,771)
Other finance expense (F/X)	(12)	396	64
Net interest expense	(12)	5,498	6,957
Operating cash flow before working capital changes		15,618	15,928
Changes in trade receivables		2,937	(378)
Changes in other current assets		(1,077)	22
Changes in trade and other payables		(68)	(394)
Cash generated in operations		17,410	15,178
Tax paid in the period	(15)	(1,436)	(723)
Net cash from operating activities		**15,974**	**14,455**
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on investments properties	(17)	(45,449)	(20,258)
Expenditure on asset held for sale		-	(6,691)
Decrease in short term investments		380	997
Purchase of PPE	(16)	(107)	(261)
Provided short term loan	(18)	-	(44,000)
Proceeds from disposal of investment properties	(17)	62,649	72,746
Net cash used in investing activities		**17,473**	**2,533**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term borrowings	(23)	(23,014)	(13,630)
Proceeds of long-term borrowings	(23)	123,041	27,525
Borrowing cost		(315)	(237)
Proceeds of shareholders loans		-	7,800
Repayment of shareholders loans	(24)	-	(24,113)
Interest paid	(12)	(2,878)	(7,094)
Net cash generated in financing activities		**96,834**	**(9,749)**
Effect of foreign currency translation		**(947)**	**71**
Net increase in cash and cash equivalents		**129,334**	**7,310**
Cash and cash equivalents, at beginning of year		**16,032**	**8,722**
Cash and cash equivalents at the end of the period		**145,366**	**16,032**
Significant non-cash transaction:			
Non-paid expenditures on investment properties:		3,117	968
Capital restructuring		-	109,118
Reclassification from Investment Properties to Properties, plant and equipment:		-	899
Dividend compensation		45,340	-

The accompanying notes are an integral part of this consolidated statement of cash flows

GTC Hungary Real Estate Development Pltd.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020
(in thousands of Euro)

	Notes	Share Capital	Share Premium	Cash-flow hedge reserve	Foreign currency translation reserve	Non-controlling interest holders transaction reserve	Retained Earnings/ (Losses)	Total
Balances as of 1 January 2019		**85**	**109,118**	**(373)**	**(2,027)**	**2,758**	**(26,820)**	**82,741**
Other comprehensive income/(loss)		-	-	222	(791)	-	-	**(569)**
Profit for the period ended		-	-	-	-	-	32,188	**32,188**
Capital restructuring (*)		(69)	(109,118)	-	-	-	109,187	-
Balances as of 1 January 2020		**16**	**-**	**(151)**	**(2,818)**	**2,758**	**114,555**	**114,360**
Dividend		-	-	-	-	-	(45,340)	**(45,340)**
Other comprehensive loss		-	-	(5,801)	(3,391)	-	-	**(9,192)**
Profit for the period ended		-	-	-	-	-	22,087	**22,087**
Capital restructuring		-	-	-	-	(2,758)	2,758	-
Balances as of 31 December 2020		**16**	**-**	**(5,952)**	**(6,209)**	**-**	**94,060**	**81,915**

* On 30 August 2019 the shareholders of the Company have passed a resolution authorizing a capital restructuring of the company with an aim to increase the retained earnings. First HUF 18.9 billion were transferred into retained earnings to compensate the accumulated losses from previous years. Afterwards, HUF 15 billion were capitalized into share capital and subsequently reduced to be converted into retained earnings available for a future dividend distribution.

The accompanying notes are an integral part of this consolidated statement of changes in equity

(in thousands of Euro)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Principal activities

GTC Hungary Real Estate Development Pltd. (the "Company", "GTC") was registered in Budapest in September 1998. The Company's registered office is 1138 Budapest, 22 Népfürdő Road. The Company owns commercial office companies in Budapest, Hungary. The Company is developing, and leasing or selling space to commercial and individual tenants, through its directly and indirectly owned subsidiaries (together "the Group").

The Group's business activity is development and rental of office. There is no seasonality in the business of the Group companies.

As of 31 December 2020, and 2019 the number of full-time equivalent personnel working in the Group companies was 31 and 27, respectively.

2. Shareholders structure

The Company is a fully-owned subsidiary of Globe Trade Center S.A. ("GTC Poland", "GTC SA"), listed on the Warsaw Stock Exchange (WSE) and is inward listed on Johannesburg stock exchange (JSE). The majority shareholder of GTC S.A. is GTC Holding Zrt which holds directly and indirectly 66% of the share capital of GTC S.A. See the description of new share issues in Note 7.

Share capital comprises the following as of 31 December 2020 and 31 December 2019:

Shares	Authorized in HUF	Issued and fully paid in EURO	Issued and fully paid in HUF	Nr of shares issued	Nominal value in HUF
Class "B" Common shares	2 501 000	8 042	2 501 000	2 501	1 000
Class "A" Preference shares	2 499 000	8 035	2 499 000	2 499	1 000
TOTAL	**5 000 000**	**16 077**	**5 000 000**	**5 000**	

3. Functional and presentation currencies

The functional currency of GTC is Euro. The functional currency of some of GTC's subsidiaries is other than Euro (see Note 6).

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

4. Basis of presentation

The Company maintains its books of account in accordance with the accounting principles and practices employed by enterprises in Hungary as required by Hungarian accounting regulations. The accompanying consolidated financial statements reflect certain adjustments not reflected in the Company's books to present these statements in accordance with standards issued by the International Accounting Standards Board. There is no a statutory obligation to prepare consolidated financial statement. The purpose of the consolidated financial statement is to

4. Basis of presentation (continued)

support consolidation of the Company into GTC SA audited consolidated financial statements and present consolidated performance for lending banks and bond holders.

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

(a) *Going concern*

The Group's policies and processes are aimed at managing the Group's capital, financial and liquidity risks on a sound basis. The Group meets its day to day working capital requirements through generation of operating cash-flows from rental income. Further details of liquidity risks and capital management processes are described in Note 25.

As of 31 December 2020, the Group's net working capital (defined as current assets less current liabilities) amounted to Euro 138 million.

The management has analyzed the timing, nature and scale of potential financing needs of particular subsidiaries and believes that cash on hand, as well as, expected operating cash-flows will be sufficient to fund the Group's anticipated cash requirements for working capital purposes, for at least the next twelve months from the balance sheet date. Consequently, the consolidated financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future, for at least 12 months from the balance sheet date.

(b) *Changes in accounting policies*

The accounting policies adopted in the preparation of the attached consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. No changes to comparative data or error corrections were made.

Standards issued and effective for financial years beginning on or after 1 January 2020:

- Amendments to IAS 1 and IAS8: Disclosure Initiative – Definition of Material (issued on 31 October 2018) – effective for the financial years beginning on or after 1 January 2020;
- Amendments to IFRS 3: Definition of Business (issued on 22 October 2018) - effective for financial years beginning on or after 1 January 2020;
- Amendments to References to the Conceptual Framework for Financial Reporting (issued on 29 March 2018) – effective for financial years beginning on or after 1 January 2020;
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform – IBOR 'phase 2' (issued on 26 September 2019) - effective for financial years beginning on or after 1 January 2020;
- Amendments to IFRS 16, COVID-19-Related Rent Concessions (issued on 28 May 2020) - effective for financial years beginning on or after 1 June 2020;

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

(in thousands of Euro)

4. Basis of presentation (continued)

Standards issued but not yet effective:

- Amendments to IAS 37: Onerous contracts – Cost of fulfilling a Contract (issued on 14 May 2020) — effective for financial years beginning on or after 1 January 2022;
- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before intended Use (issued on 14 May 2020) – effective for financial years beginning on or after 1 January 2022;
- Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual improvements to IFRS Standards 2018-2020 ((issued on 14 May 2020) — effective for financial years beginning on or after 1 January 2022;
- Amendments to IFRS 3: Business Combinations (issued on 14 May 2020) — effective for financial years beginning on or after 1 January 2022;
- IFRS 17 *Insurance Contracts* (issued on 18 May 2017) – the IASB issued amendments to IFRS 17. The effective (after deferral) for financial years beginning on or after 1 January 2023;
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (issued on 23 January 2020 and 15 July 2020 retrospectively) – effective for financial years beginning on or after 1 January 2023;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – IBOR 'phase 2' (issued on 27 August 2020) - effective for financial years beginning on or after 1 January 2021.

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

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

5. Accounting Policies

(a) Basis of accounting

The consolidated financial statements have been prepared on a historical cost basis, except for completed investment properties, investment properties under construction ('IPUC') if certain condition described in Note 5(c) (ii) are met, and derivative financial instruments that have been measured at fair value.

(b) Properties, Plant and Equipment

Properties, Plant and equipment consist of vehicles, owner-occupied property and equipment. Plant and equipment are recorded at cost less accumulated depreciation and impairment. Depreciation is provided using the straight-line method over the estimated useful life of the asset. Reassessment of the useful life and indications for impairment is done each quarter. The following depreciation rates have been applied:

	Depreciation rates
Equipment	10 -33 %
Properties	2 %
Vehicles	20 %

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

5. Accounting Policies (continued)

(c) Investment properties

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

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

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

(i) Completed Investment properties

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

Completed investment properties were externally valued by independent appraisers as of 31 December 2020 based on open market values. Completed properties are either valued on the basis of discounted cash flow or - as deemed appropriate – on basis of the Income capitalization or yield method.

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

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

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

The Group revalues IPUC, for which a substantial part of the development risks has been eliminated. Assets, for which this is not the case, are presented at the lower of cost or recoverable amount.

Land is reclassified to IPUC at the moment, at which active development of this land begins.

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

- agreement with general contractor is signed;
- building permit is obtained;
- at least 20% of the rentable area is leased to tenants (based on the signed lease agreements and letter of intents).

The fair values of IPUC were determined, as at their stage at the end of the reporting period. Valuations were performed in accordance with RICS and IVSC Valuation Standards using either the residual method approach, DCF or sales comparison approach, as deemed appropriate by the valuer. Each IPUC is individually assessed.

5. Accounting Policies (continued)

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

For projects where the completion is expected in the future, also a developer profit margin of unexecuted works, was deducted from the value.

(iii) Hierarchy of investment property

Fair value hierarchy is based on the sourced of input used to estimate the fair value:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.
All investment properties are categorized in Level 2 or Level 3 of the fair value hierarchy.

The Group considered all investment value under construction carried at fair value as properties categorized in Level 3.
The Group considered completed investment properties as properties categorize in Level 2 or Level 3, based on the liquidity in the market it operates.

(d) Investment in associates

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

(e) Investment in Joint Ventures

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

(f) Lease origination costs

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

(g) Non-current assets held for sale

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

(h) Advances received

Advances received (related to pre-sales of residential units) are deferred to the extent that they are not reflected as revenue as described below in Note 5(k).

5. Accounting Policies (continued)

(i) Rental revenue

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

(j) Interest and dividend income

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

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

(k) Contract revenue and costs recognition

Group has the following revenue stream:

- **Rental income.** The main source of income of the Group, which is charged to tenants on monthly basis, based on rent fee rate, agreed in contract.
- **Service charge** represents income from charging of maintenance costs (cleaning, security costs, management fee etc.) to tenants. Service charge is billed on monthly basis, based on service fee rate, agreed in Contract, which represents the best estimate for particular project. Allocation of service charge to tenants is done based on leased area.

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

Rental income revenue under IFRS 15.

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

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

Service charge revenue under IFRS 15.

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

Group recognizes two kind of performance obligations in the Group:

- **Acting as an agent.** Some tenants install counters for electricity. In this case the invoices for electricity are billed through GTC entities and addressed to the tenants directly. The Group recognizes cost and corresponding income at the same amount. For financial statement purpose such income and expenses are disclosed on net basis, as GTC acts as an agent.
- **Acting as a principal.** In the other cases, all service charges are billed to GTC entities on monthly basis. The Group bills the tenants based on the rates in the contract on monthly basis. By the end of the year, the Group does reconciliation of actual service charges costs vs. billed one, and then bill for deficit or return the overpayment to the tenant if it is required. For financial statement purpose such expenses are disclosed on gross basis, as GTC acts as a principal.

5. Accounting Policies (continued)

The costs related to the real estate development incurred during the construction period are capitalized in inventory. Once revenue is recognised, the costs in respect of sold units are expensed.

(l) Borrowing costs

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

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized as from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

(m) Share issuance expenses

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

(n) Income taxes & other taxes

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

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

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

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

5. Accounting Policies (continued)

Deferred tax assets and liabilities are measured using the tax rates enacted to taxable income in the years in which these temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which each company of the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

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

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

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

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

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

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

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

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

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

(o) Foreign exchange differences

For companies with Euro as functional currency, transactions denominated in a foreign currency (including Hungarian Forint) are recorded in Euro at the actual exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are revalued at period-end using period-end exchange rates. Foreign currency translation differences are charged to the income statement. The following exchange rates were used for valuation purposes in cases where a certain lease is denominated in local currency as of 31 December 2020, and 2019: HUF/EUR 365.13 and HUF/EUR 313.52 respectively.

5. Accounting Policies (continued)

(p) Interest bearing loans and borrowings and debt securities

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

After initial recognition, interest-bearing loans and borrowings and debt securities are measured at amortized cost using the effective interest rate method, except for liabilities designated as hedged items, which are measured in accordance with hedge accounting policies, as described in Note 5(v).

Debt issuance expenses are deducted from the amount of debt originally recognized. These costs are amortized through the income statement over the estimated duration of the loan,

except to the extent that they are directly attributable to construction. Debt issuance expenses represent an adjustment to effective interest rates.

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

Gains and losses are recognized in profit or loss when the liabilities are derecognized.

(q) Financial instruments – initial recognition and subsequent measurement

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

Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (k) Contract revenue and costs recognition.

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

5. Accounting Policies (continued)

(i) Financial assets at amortized cost (debt instruments)

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

(ii) Financial assets at fair value through OCI (debt instruments)

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

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group does not have such debt instruments.

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

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 39 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

The Group does not have such equity instruments.

(iv) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

5. Accounting Policies (continued)

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

The Group does not have such instruments.

Financial liabilities

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

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

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

Subsequent measurement

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

(v) Financial liabilities at fair value through profit or loss

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

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

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

(vi) Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

5. Accounting Policies (continued)

Offsetting of financial instruments

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

The table below presents the categorization of financial assets and liabilities:

Item	Category	Measurement
	Financial assets/liabilities	
Cash and cash equivalents	Held for trading	Fair value – adjusted to income statements
Short-term investments – restricted cash	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Trade payables; accruals and other payables	Other financial liabilities	Amortized cost
Non-current Loans and its current portion		Amortized cost
Non-current tenants' deposits		Amortized cost
Long term payables		Amortized cost
Interest Rate Swaps	Hedging (cash flow hedges)	Fair value – adjusted to other comprehensive income (effective portion) / adjusted to income statements (ineffective portion)
Interest rate Cap	Hedging (cash flow hedges)	Fair value – adjusted to profit or loss
Cross-currency Interest Rate Swaps	Hedging (cash flow hedges)	Fair value – adjusted to other comprehensive income (effective portion) / adjusted to income statements (ineffective portion)

(r) Cash and cash equivalents

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

(s) Accounts receivables

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

(t) Impairment of non-current assets.

The carrying value of assets is periodically reviewed by the Management Board to determine whether impairment may exist. In particular, the Management Board assessed whether the impairment indicators exist. Based upon its most recent analysis management believes that any material impairment of assets that existed at the reporting date, was reflected in these financial statements.

(u) Purchase of shares of non-controlling interest

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

5. Accounting Policies (continued)

(v) Derivatives and hedge accounting

Initial recognition and subsequent measurement
The Group uses derivative financial instruments, such as interest rate swaps and cap, to hedge its interest rate risks.

Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

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

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

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

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

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

Cash flow hedges

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

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

5. Accounting Policies (continued)

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

The fair value of FX forwards interest rate swaps and caps contracts is determined by reference to market values for similar instruments.

(w) Estimations

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

Investment property represents property held for long-term rental yields. Investment property is carried at fair value which is established at least annually by an independent registered valuer based on discounted projected cash flows from the investment property using the discounts rates applicable for the local real estate market and updated by Management judgment. The changes in the fair value of investment property are included in the profit or loss for the period in which it arises.

The group uses estimates in determining the amortization rates used.

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

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

(x) Significant accounting judgements

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

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

Significant accounting judgements related to investment property under construction are presented in Note 5(c) (ii).

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

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

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

Deferred tax with respect to outside temporary differences relating to subsidiaries, branches associates, and joint agreements was calculated based on estimated probability that these temporary differences will be realized in the foreseeable future.

5. Accounting Policies (continued)

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

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

(y) Basis of Consolidation

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

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

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

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

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

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

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

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

(z) Provisions

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

(aa) Short term deposits

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

(ab) Deposits from tenants

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

(in thousands of Euro)

6. Projects' description and basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries (hereinafter: Group) listed below as at the end of each year. In brackets, we mention the name of the project the subsidiary is part of as of 31 December 2020.

	Consolidated subsidiaries	Functional currency	31 December 2020	31 December 2019
1	Váci Út 81-85 Ltd. (Center Point I + II)	EUR	100%	100%
2	Center Point I. Ltd. (Center Point I)	EUR	100%	100%
3	Center Point II. Ltd. (Center Point II + III)	EUR	100%	100%
4	Riverside Apartments Ltd. (Riverside) (1)	HUF	100%	100%
5	SASAD Resort Ltd. (Sasad) (2)	HUF	-	100%
6	GTC Metro Ltd. (Metro)	EUR	100%	100%
7	Albertfalva Ltd. (Szeremi Gate)	EUR	100%	100%
8	Amarantan Ltd. (Vasas) (3)	EUR	-	100%
9	Spiral I. Ltd. (Spiral I)	HUF	100%	100%
10	GTC White House Ltd. (White House)	EUR	100%	100%
11	GTC Duna Ltd. (Duna Tower)	EUR	100%	100%
12	VRK Tower Ltd. (Twist)	EUR	100%	100%
13	Kompakt Land Ltd. (Pillar)	EUR	100%	100%
14	GTC Future Ltd. (4)	EUR	100%	-
15	Globe Office Investments Ltd. (4)	EUR	100%	-

(1) The company is under liquidation
(2) SASAD merged into GTC Hungary as of 30 September 2020
(3) Amarantan merged into Center Point I as of 30 September 2020
(4) Newly established fully owned subsidiary in 2020

1. GTC Hungary Pltd. holds 100% of Váci Út 81-85 Ltd. Váci Út 81-85 Ltd. owns the land for the Center Point I and Center Point II projects and Center Point III future development project.
2. Váci út 81-85 Kft holds 100% of Center Point I Ltd. Center Point I. Ltd. owns an office building in Budapest, Hungary.
3. Váci út 81-85 Kft holds 100% of Center Point II Ltd. Center Point II. Ltd owns an office building in Budapest, Hungary.
4. GTC Hungary Pltd. holds 100% of Riverside Apartments Ltd. As of 1 April 2016, the Company started the voluntary liquidation of the subsidiary.
5. GTC Hungary Pltd. held 100% of SASAD Resort Ltd. As of 30 September 2020. Sasad Resort Ltd. merged into GTC Hungary Pltd.
6. GTC Hungary Pltd. holds 100% of GTC Metro Ltd. GTC Metro Ltd. owns an office building in Budapest, Hungary.
7. GTC Hungary Pltd. holds 100% of Albertfalva Ltd. Albertfalva Ltd. owns land plots.
8. GTC Hungary Pltd. held 100% of Amarantan Ltd. As of 30 September 2020 Amarantan Ltd. merged into GTC Hungary Pltd.
9. GTC Hungary Pltd. holds 100% of Spiral I Ltd (formerly Spiral Holding Ltd). Spiral I. Ltd. owned an office building which was sold in 2020 (See Note 7).

6. Projects' description and basis of consolidation (continued)

10. GTC Hungary Pltd. holds 100% of GTC White House Ltd. GTC White House Ltd owned an office building which was sold in 2019.
11. GTC Hungary Pltd. holds 100% of GTC Duna Ltd. GTC Duna Ltd. owns an office building in Budapest, Hungary
12. GTC Hungary Pltd. holds 100% of VRK Tower Ltd. VRK Tower Ltd. owns land plots designated for future office projects.
13. GTC Hungary Pltd. holds 100% of Kompakt Land Ltd. Kompakt Land Ltd. owns a future office project under construction.
14. GTC Hungary Pltd. holds 100% of GTC Future Ltd. newly founded in 12 November 2020. GTC Future Ltd. owns a land plot with existing office building designated for future office projects in Budapest, Hungary (See Note 7).
15. GTC Hungary Pltd. holds 100% of Globe Office Investments Ltd. newly founded in 11 December 2020 designated for future acquisitions. (See Note 7).

All inter-company balances and transactions are eliminated on consolidation.

7. Events in the period

On 3 April 2020, GTC Metro Kft, a wholly owned subsidiary of the Company signed an amendment to the existing loan agreement with CIB Bank changing the maturity to 25 March 2025. All other commercial terms remained unchanged.

On 30 September 2020, Amarantan Ltd. was merged into Center Point I Ltd.

On 30 September 2020, Sasad Resort Ltd. was merged into GTC Hungary Pltd.

Demolition of Center Point 3 building was completed in October 2020, therefore the building was reclassified from completed investment property to investment property under construction.

On 20 October 2020, a sale and purchase agreement was signed between Spiral I Ltd and a Hungarian real estate development company for the purpose of selling the Spiral I office building for a consideration in the amount of HUF 22.75 billion (EUR 62.7 million). The closing date of the transaction was 5 November 2020 and the full purchase price was paid. On 20 October 2020, Spiral 1 Ltd fully paid back the loan to Erste Bank from the proceeds of sale of the owned office building.

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

On 11 December 2020, Globe Office Investments Ltd was newly founded and designated for future office development projects in Budapest, Hungary

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

(in thousands of Euro)

7. Events in the period (continued)

On 8 December 2020, GTC Real Estate Development Hungary Pltd. entered into cross-currency interest swap agreements with three different banks to hedge the total green bonds liability against foreign exchange fluctuations. The green bonds were fixed to the Euro, and the fixed annual coupon was swapped for an annual interest fixed rate of 0.99%. (see Note 22, 23, 25).

8. Rental income

Rental income comprises of the following:

	31 December 2020	31 December 2019
Rental income (excluding straight-lining of lease incentives)	17,059	18,561
Straight-lining of lease incentives (Note 17)	(157)	(191)
Rental income	**16,902**	**18,370**

Future minimum rentals receivable under operating leases from completed projects are, as follows:

	31 December 2020	31 December 2019
Within 1 year	14,818	18,507
After 1 year, but not more than 5 years	46,113	63,301
More than 5 years	19,176	31,909
	80,107	**113,717**

9. Service recharge income and costs

	31 December 2020	31 December 2019
Service revenue	5,024	5,825
Service costs	4,900	5,792
Gross margin on services	**124**	**33**

Service recharge cost relate to investment properties, which generate rental income. Income arising from cost recharged to tenants is recognized in the period in which the cost can be contractually recovered. Service charges and other such receipts are included gross of the related costs in revenue as the Group acts as principal in this respect.

10. Selling expenses

Selling expenses comprise the following:

	31 December 2020	31 December 2019
Payroll and related expenses	220	434
Advertising and marketing	42	68
	262	**502**

11. Administration expenses

Administration expenses comprise the following:

	31 December 2020	31 December 2019
Remuneration and fees	675	1,400
Audit and valuations	106	145
Legal and tax advisers	93	109
Office and insurance expenses	128	124
Travel expenses	65	86
Depreciation	102	115
Other expenses	43	41
Total	**1,212**	**2,020**

(in thousands of Euro)

12. Finance income and finance cost

Finance income comprise the following:

	31 December 2020	31 December 2019
Foreign exchange gain	1,173	140
Interest income	729	611
Swap interest income	89	-
Total	**1,991**	**751**

Finance costs comprise the following:

	31 December 2019	31 December 2018
Interest expenses	6,226	7,569
Bank costs and depreciation of borrowing costs	307	203
Swap foreign exchange loss	1.527	-
Total	**8,060**	**7,772**

The average interest rate (including hedges) on the Group's loans as of 31 December 2020 was 3% p.a. (3.4% p.a. as of 31 December 2019).

13. Other income, net

Other income, net comprises the following:

	31 December 2020	31 December 2019
Land cost and other income/(expense)	139	(67)
Other income / (loss), net	**139**	**(67)**

14. Segmental analysis

All the Company's activities and assets are located in Budapest, Hungary.

The Company has not identified different operating segments based on its business activity. At the end of 2016, the Company sold the majority of residential projects and the Company has operation only in the office segment.

15. Taxation

The major components of tax expenses are as follows:

	31 December 2020	31 December 2019
Current year tax expense	(3,892)	(1,596)
Previous year tax credit/(expense)	8	(15)
Deferred tax credit/(charge)	1,276	(2,765)
Total income tax expense	**(2,608)**	**(4,376)**

The Company pays taxes in jurisdiction of Hungary. The Company does not constitute a tax group under Hungarian legislation. Therefore, every subsidiary in the Company is a separate taxpayer.

(in thousands of Euro)

15. Taxation (continued)

Components and movements of the deferred tax liabilities are as follows:

	As of 1 January 2019	credit/ (charge) to income statement	charge to equity	As of 31 December 2019	credit/ (charge) to income statement	charge to equity	As of 31 December 2020
Fair value adjustment of assets	(12,569)	(2,562)	-	(15,131)	826		(14,305)
Tax loss carry forward	1,816	(296)	-	1,520	54	-	1,574
Revaluation of an cross currency interest rate swap (cash flow hedge	-	-	-	-	204	495	699
Revaluation of an interest rate swap (cash flow hedge) to fair value	37	-	(22)	15	-	79	94
Financial instruments (*)	(587)	93	-	(494)	192	-	(302)
Total	**(11,303)**	**(2,765)**	**(22)**	**(14,090)**	**1,276**	**574**	**(12,240)**

(*) Mostly deferred foreign exchange gain and deferred loan cost

The reconciliation between the deferred tax expense and the product of accounting profit multiplied by the applicable tax rate is as follows:

	31 December 2020	**31 December 2019**
Accounting profit before tax	24,695	36,564
Accounting profit at the applicable corporate income tax rate of 9%	(2,203)	(3,290)
Tax effect of expenses that are not deductible in determining taxable profit	18	-
Unrecognized deferred tax asset, net	(670)	(671)
Carry forwards tax losses for which no deferred tax assets were recognized	211	69
Local tax on income, net	(403)	(317)
Tax benefit on heritage building	-	609
Deferred tax recognized on investment properties reclassified to IPUC on fair value	-	(1,057)
Exchange differences in Euro companies	422	266
Previous years income tax	17	15
Tax expense	**(2,608)**	**(4,376)**

The components of the deferred tax balance were calculated at a Corporate Income Tax rate of 9%.

(in thousands of Euro)

15. Taxation (continued)

Deferred tax losses

Losses carried forward may be utilized to decrease the corporate income tax base up to 50% of income tax base in any one year. The limitation of the utilization of losses carried forward is five years for the tax losses generated after 1 January 2015. The Company can use the losses incurred by the end of the 2014 tax year until 2030 based on FIFO method. The Company recognizes deferred tax assets only on those Company's subsidiaries' carry forward losses where there is plan that, future taxable profits will be available against loss-carry forward. The Company's subsidiaries have utilizable losses carried forward as of 31 December 2020 and 2019 in the amount of approximately Euro 110.5 million and Euro 112.3 million, respectively. The Company hasn't recognized deferred tax assets for losses carried forward as of 31 December 2020 and 2019 in the amount of approximately Euro 93 million and Euro 99.3 million, respectively.

16. Properties, Plant and Equipment

The movements in properties, plant and equipment for the years ended 31 December 2020 and 2019 were as follows:

	Owner-occupied property	Vehicles	Other	Total
Cost				
As at 1 January 2020	**2,046**	**200**	**227**	**2,473**
Additions	47	34	30	111
Gross book value as at 31 December 2020	**2,093**	**234**	**257**	**2,584**
Accumulated Depreciation				
As at 1 January 2020	**31**	**41**	**145**	**217**
Depreciation for the period	41	33	28	102
Translation adjustment	-	-	(7)	(7)
Accumulated depreciation as at 31 December 2020	**72**	**74**	**166**	**312**
Net book value as at 31 December 2020	**2,021**	**160**	**91**	**2,272**

(in thousands of Euro)

16. Properties, Pland and Equipment (continued)

	Owner-occupied property	Vehicles	Other	Total
Cost				
As at 1 January 2019	**1,008**	**106**	**234**	**1,348**
Additions	183	94	45	**322**
Transfers from investment properties	1,863	-	-	**1,863**
Disposals	-	-	(51)	**(51)**
Transfers to investment properties	(1,008)	-	-	**(1,008)**
Translation adjustment	-	-	(1)	**(1)**
Gross book value as at 31 December 2019	**2,046**	**200**	**227**	**2,473**
Accumulated Depreciation				
As at 1 January 2019	**40**	**13**	**144**	**197**
Depreciation for the period	36	28	51	115
Transfers to investment properties	(45)	-	-	(45)
Translation adjustment	-	-	(1)	(1)
Disposals	-	-	(49)	(49)
Accumulated depreciation as at 31 December 2019	**31**	**41**	**145**	**217**
Net book value as at 31 December 2019	**2,015**	**159**	**82**	**2,256**

17. Investment Property

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

Investment property can be split up as follows:

	31 December 2020	**31 December 2019**
Completed investment property	206,138	259,419
Investment property under construction	60,300	36,600
Investment property landbank at cost	53,245	28,798
Total	**319,683**	**324,817**

(in thousands of Euro)

17. Investment Property (continued)

The movements in investment properties for the year ended 31 December 2020 and 31 December 2020 were as follows:

	31 December 2020	31 December 2019
Fair value as of 1 January	**324,817**	**281,162**
Additions to investments properties ***	46,314	18,055
Translation adjustment**	(5,643)	(1,339)
Reduction of lease income (SIC 15)*	(157)	(191)
Adjustment to fair value, net	15,073	27,771
Borrowing cost capitalized****	1,116	259
Transfers to property, plant and equipment	-	(900)
Investment properties plots sold *****	(61,837)	-
Fair value as of 31 December	**319,683**	**324,817**

(*) Fair value of investment property reflect the impact of rent incentive provided for tenants which is presented separately in this disclosure in line with paragraph 4 of SIC 15.
(**) The functional currency in Spiral I was HUF.
(***)The additions are related to Pillar – IPUC, land and property purchase in GTC Future – IPUC at cost, and a general CAPEX and fit-out works on the completed office buildings.
(****) Capitalized borrowing costs on development projects in an amount of EUR 1,116 thousand (2019: EUR 259 thousand), that represents borrowing costs capitalized during the year using a capitalization rate of 4%.
(*****) Spiral I office building was sold.

The fair value gain from investment properties comprise of:

	31 December 2020	31 December 2019
Fair value gain of properties completed in prior years, net	12,610	19,928
Fair value gain of properties under construction, net	2,513	8,827
Fair value (loss) / gain of properties plots, net	(50)	(1,100)
Fair value gain of asset held for sale	-	116
Total fair value gain from investment properties	**15,073**	**27,771**

The valuations had been determined on a market value basis in accordance with the RICS valuation Standards. The valuation was performed by Jones Lang LaSalle (JLL), accredited independent valuers with a recognized and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

Management is constantly monitoring its assets and believes that the value of assets as at the end of December 2020 reflects the current macroeconomic climate and expectations.

As of 31 December 2020, investment properties includes the following projects:

(a) Completed investment property

- Center Point 1 (office)
- Center Point 2 (office)
- Metro (office)
- Duna Tower (office)
- GTC Future (office)

(in thousands of Euro)

17. Investment Property (continued)

The assumptions used in the valuations of the completed investment property are as follows (the content of assumptions changed from prior year):

	31 December 2020	31 December 2019
Book value	206,138	259,419
Valuation technique	DCF	DCF
GLA Thousand sqm (office)	97	125
Average ERV per building (range)	6-6 -15.2	6.9 -15.5
Actual rent (including parking)	6.7-15.9	6.9-15.3
Yield (range)	7.1%-9.8%	7.05%-8%
Average occupancy	95.4%	96.5%
Average duration (years)	2.3	3.5
Category	Level 2	Level 2

(b) Investment property landbank (at cost):

- Szeremi Gate (office)
- VRK Tower (office)
- Center Point III (office)
- GTC Future (office)

	31 December 2020	31 December 2019
Book value	53,245	28,798
Valuation technique	Comparison/Residual	Comparison/Residual
Estimated building rights	272	208
Euro per sqm	196	171
Category	Level 3	Level 3

(c) Investment property under construction (at fair value):

- Pillar (office)

	31 December 2020	31 December 2019
Book value	60,300	36,600
Valuation technique	Residual	Residual
Estimated GLA	29,000	29,000
Euro per sqm	2,079	1,262
Category	Level 3	Level 3
ERV	15,95	15,39
Yield	5,75%	5,75%

The table below presents the sensitivity of profit (loss) before tax as of 31 December 2020 and 2019 due to change in underlying assumptions (the values are presented in absolute numbers as a change can either be positive or negative):

Completed investment property	**31 December 2020**	**31 December 2019**
Change of 25 bp in yield	6,418	7,718
Change of 5% in estimated rental income	10,120	12,274

In order to estimate the impact of the yield change on the profit, the Company has considered the ratio between the yield change and average yield in the portfolio. This ratio was then multiplied by the total value of investment property.

In order to estimate the impact of the estimated rental income change on the profit, the Company has considered the ratio between the yield estimated rental income and average estimated rental income in the portfolio. This ratio was then multiplied by the total value of investment property.

(in thousands of Euro)

17. Investment Property (continued)

Completed assets were revalued based on discounted cash flow.

Properties under construction are at fair value and they were revalued based on residual method. The valuations had been determined on a market value basis in accordance with the RICS valuation Standards. The valuation was performed by Cushman & Wakefield, accredited independent valuers with a recognized and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

18. Other current financial assets

Other current financial assets comprise the following:

	31 December 2020	31 December 2019
GTC S.A. (*)	-	44,611
	-	**44,611**

(*) Company provided EUR 44 million intercompany loan from the cash generated from the sale of GTC White House to GTC SA. EUR linked loan – Interest rate of 4%, the maturity was 30 June 2020.The loan was offset with dividend payable after the 2019 profit in the current year.

19. Cash and Cash Equivalents

Cash balance consists of cash in banks. Cash at banks earns interest at floating rates based on periodical bank deposit rates.
All cash and cash equivalents are available for use by the Group.

20. Short-term deposits and blocked deposits

Short-term deposits include deposits related to loan agreements, and other contractual commitments and can be used only for certain operating activities as determined by underlying agreements.
Short-term deposits and blocked deposits related to contractual commitments include mostly tenants' deposit account, security account, capex accounts, and deposits in order to settle contractual commitments related to the construction of this project.

21. Trade and other payables

The movement in trade and other payables for the year ended 31 December 2020 and 31 December 2019, respectively, was as follows:

	31 December 2020	31 December 2019
Balance as of 1 January	**3,315**	**9,717**
Charges related to investing activity	2,049	(6,134)
Charges related to foreign exchange movement	(292)	(92)
Charges related to operating activity	809	(176)
Balance as of 31 December	**5,881**	**3,315**

As of 31 December 2020, an amount of Euro 4.5 million of trade and other payables related to investing activity payables. This is planned to be financed mostly with long term loans (as of 31 December 2019 was Euro 2.5 million).

22. Derivatives

The Company holds instruments that hedge the risk involved in fluctuations of interest rates and foreign currency rates.

(a) Interest rate swap

On 15 November 2018, Center Point I and Center Point II Kft. entered into a derivative agreement for which it applied effective hedge accounting according to IAS 39. According to IAS 39, the portion of gain or loss on the interest rate swap that is determined to be an effective hedge is recognized directly in equity and the ineffective portion is recognized in net profit or loss. In order to achieve a very high efficiency of the hedging instrument, it was structured to match the exact cash flow of the loan throughout the duration of the hedging instrument. On 16 September 2019 an amendment of derivative agreement was signed after the refinance of loan to match the new cash flow with the hedging instrument

During the period 30 September 2019 – 30 September 2024, the Company swapped a floating 3-M Euribor interest rate into a fixed interest rate -0.08% p.a. The IRS was constructed to repay the Company the exact interest payments on the exact dates the Company has to repay to the lender. No "in-arrear" arrangement was done, or similar mismatching has been introduced.

The derivative impact as of 31 December 2020 and 31 December 2019 is an equity reserve of EUR (440) thousand and EUR 2 thousand respectively.

On 20 September 2019, GTC Duna Kft. entered into a derivative agreement for which it applied effective hedge accounting according to IAS 39. According to IAS 39, the portion of gain or loss on the interest rate swap that is determined to be an effective hedge is recognized directly in equity and the ineffective portion is recognized in net profit or loss. In order to achieve a very high efficiency of the hedging instrument, it was structured to match the exact cash flow of the loan throughout the duration of the hedging instrument.

During the period 30 September 2019 – 30 September 2024, the Company swapped a floating 3-M Euribor interest rate into a fixed interest rate -0.32% p.a. The IRS was constructed to repay the Company the exact interest payments on the exact dates the Company has to repay to the lender. No "in-arrear" arrangement was done, or similar mismatching has been introduced.

The derivative impact as of 31 December 2020 is negative equity reserve of EUR (440) thousand. The fair value of the derivatives is EUR 1.05 million as of 31 December 2020

(b) Interest rate cap

The following derivative instruments are not qualified for hedging accounting, therefore any gain or a loss arising from changes in the fair value of interest rate cap is recorded directly to net profit or loss of the period as finance expenses.

In December 2018, Center Point I has entered into a derivative transaction with OTP Bank. According to the purchased option agreement Center Point I swapped a floating interest rate of 3 months Euribor on the CIB GTC Metro loan with cap interest rate of 1% for a period of December 2018 till December 2020.
The fair value of the derivatives is close to nil as of 31 December 2020 and as of 31 December 2019.

(in thousands of Euro)

22. Derivatives (continued)

(c) Cross-currency interest rate swap

On 8 December 2020, GTC Hungary Pltd. entered into a derivative agreement for which it applied effective hedge accounting according to IAS 39. According to IAS 39, the portion of gain or loss on the cross-currency interest rate swap that is determined to be an effective hedge is recognized directly in equity and the ineffective portion is recognized in net profit or loss. In order to achieve a very high efficiency of the hedging instrument, it was structured to match the exact cash flow of the borrowing throughout the duration of the hedging instrument.
During the period 8 December 2020 – 8 December 2030, the Company swapped HUF exposure on the debt (bond issues) with interest rate of 2.25% to EUR exposure with interest rate of 0.99% in order to hedge the risk of foreign currency rate fluctuation.
Hedging relationship may experience hedge ineffectiveness if there is a timing or other mismatch between the transition of the hedged item and that of the hedging instrument to euro. The fair value of the derivatives is EUR 6.93 million as of 31 December 2020

23. Non-current and current portion of borrowing

Non-current borrowing is linked to the following currencies and have been separated into the current portion and the non-current portion as disclosed below:

	Currency linkage	31 December 2020	31 December 2019
Loan from OTP (Center Point I)	Euro	21,538	22,351
Loan from OTP (Center Point II)	Euro	26,324	27,318
Loan from OTP (GTC Duna)	Euro	37,117	38,518
Loan from Erste (Spiral I) (***)	HUF	-	19,147
Loan from CIB (GTC Metro) (*)	Euro	12,105	-
Loan from UniCredit (Kompakt Land) (**)	Euro	13,718	-
Bond issues (GTC Hungary) (****)	HUF	108,614	-
Deferred debt expenses	Euro	(1,700)	(904)
		217,716	**106,430**

	Currency linkage	31 December 2020	31 December 2019
Loan from OTP (Center Point I)	Euro	813	813
Loan from OTP (Center Point II)	Euro	994	994
Loan from OTP (GTC Duna)	Euro	1,401	1,402
Loan from Erste (Spiral I) (***)	HUF	-	1,446
Loan from CIB (GTC Metro) (*)	Euro	1,172	14,437
		4,380	**19,092**

(*) On 3 April 2020, GTC Metro Kft signed an amendment of existing loan agreement with CIB Bank changing the maturity to 25 March 2025. Remaining commercial terms remain unchanged.
(**) On 12 December 2019, Kompakt Land Kft signed a development and investment facility agreement about EUR 57 million with UniCredit bank. First drawdown carried out in July 2020.
(***) On 20 October 2020, Spiral I Kft fully paid back the loan to Erste Bank from the proceeds of sale of the owned office building.
(****) On 7 December 2020, GTC Real Estate Development Hungary Pltd. issued 10-year green bonds with the total nominal value of 110 million euro denominated in HUF to finance real estate projects and upstream the funds with refinancing purpose. The bonds are fully and irrevocable guaranteed by GTC SA and were issued at a yield of 2.33% with an annual fixed coupon of 2.25%. The bonds are amortized 10% a year starting on the 7th year with the 70% of the value paid at the maturity on 7 December 2030. On 8 December 2020, GTC Real Estate Development Hungary Pltd. entered into cross-currency interest swap agreements with three different banks to hedge the total green bonds liability against foreign exchange fluctuations. The green bonds were fixed to the Euro, and the fixed annual coupon was swapped for an annual interest fixed rate of 0.99%. (see Note 22(c) and Note 25).

(in thousands of Euro)

23. Non-current and current portion of borrowing (continued)

Repayments of long-term loans and bonds are scheduled as follows:

	31 December 2020	31 December 2019
First year	4,380	19,092
Second year	4,380	4,728
Third year	4,860	4,804
Fourth year	5,595	4,885
Fifth year	13,809	5,704
Thereafter	190,774	87,213
	223,798	**126,426**

Significant terms

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

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

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

All bank loans are denominated in Euro, bond liability is denominated in HUF.

As of 31 December 2020, there was no breach of loan covenants.

24. Non-current loans from Shareholders

Non-current loans from shareholders comprise the following:

	31 December 2020	31 December 2019
GTC S.A. (*)	139,989	135,782
	139,989	**135,782**

(*) EUR linked loans – Interest rate of 4%, the maturity is 31 December 2022.

25. Financial risk management objectives and policies

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

The main risks arising from the Company's financial instruments are market risk, interest risk, liquidity risk, foreign currency risk and credit risk. The management board reviews and agreed policies for managing each of these risks.

(a) Market Risk

The Company operates in real estate in emerging markets. Such markets are vulnerable to the risks existing in developing countries, mostly political risks and exposure to local economies. The Company is exposed to fluctuations of supply and demand in the real estate markets in

(in thousands of Euro)

25. Financial risk management objectives and policies (continued)

The Company meets its day to day working capital requirements through generation of cash inflow from rental income, and additional support of its shareholders.

(c) Liquidity risk

The Company's objective is to maintain a balance between continuity of funding its investments and timely servicing its debt and maintaining sufficient working capital resources.

(d) Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. To manage the interest rate risk the Company enters, from time to time, into interest rate swaps and interest rate options.

(i) Sensitivity analysis to changes in interest rate

The table below presents the sensitivity of profit (loss) before tax due to change in Euribor*/Bubor:

	For the year ended	
	31 December 2020	31 December 2019
50bp increase in Euribor/Bubor rate		
Bank loans	*(135)*	*(175)*
50bp decrease in Euribor/Bubor rate		
Bank loans	*135*	*175*

*Company swapped a floating 3-M EURIBOR interest rate for Center Point and GTC Duna loan, the change of euribor has no effect for interest expense of these loans

(ii) Foreign currency risk

As a result of the Company's investments, the Company's balance sheet and profit or loss can be affected by movements in the HUF/Euro exchange rates. The Company seeks to mitigate the effect of its currency exposure by attempting to match the currency of the income with that of the construction costs and financing currency. In 2020, the Company entered into a cross-currency interest rate swap transaction to hedge this risk (see Note 22(c)).

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

2020 EUR/HUF				2019 EUR/HUF			
+10%	**+5%**	**-5%**	**-10%**	**+10%**	**+5%**	**-5%**	**-10%**
(881)	(440)	440	881	1,760	880	(880)	(1,760)

(iii) Credit risks

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation. To manage this risk the Company periodically assesses the financial viability of its customers.

The Company trades only with recognized, creditworthy third parties. The Company controls its credit risk by the application of credit approvals, limits and monitoring procedures. To manage this risk the Company periodically assesses the financial viability of customers. Counter parties to financial instruments consist of a large number of prime financial institutions. The Company does not expect any counter parties to fail to meet their obligations, given their high credit ratings the Company has no significant concentration of credit risk with any single counterparty or group counterparties.

(in thousands of Euro)

25. Financial risk management objectives and policies (continued)

With respect to trade receivables and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that those will not meet their payment obligations.
With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and blocked deposits the Company's exposure to credit risk equals to the carrying amount of these instruments.
The maximum exposure to credit risk as of the reporting date is the full amount presented. The Company cooperates with reputable banks.
There are no material financial assets as of the reporting dates, which are overdue and not impaired. There are no significant financial assets impaired.

Repayments of long-term bank loans and interest are scheduled as follows (contractual cash-flow)

	31 December 2020	31 December 2019
First year	9,409	21,986
Second year	9,303	7,137
Third year	9,673	7,104
Fourth year	10,331	7,074
Fifth year	18,250	7,815
Thereafter	209,078	97,465
	266,043	**148,581**

Fair Value

As of 31 December 2020, and 2019, all loans bear floating interest rate while bonds are bearing fixed interest rate (however, as of 31 December 2020 and 2019, 76% and 84% of loans are hedged and 100% of bonds are hedged as of 31 December 2020). Therefore, the fair value of the borrowings which are related to the floating component of the interest equals to the market rate.

Fair value of all other financial assets/liabilities equals to carrying value. For fair value of investment property please refer to Note 17.

Fair value hierarchy
As at 31 December 2020, the Group held several hedge instruments carried at fair value on the statement of financial position.
Valuations of hedges are considered as level 2 fair value measurements. During the year ended 31 December 2020 and 31 December 2019, there were no transfers between Level 2 and Level 3 fair value measurements.

Covid-19

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

(in thousands of Euro)

25. Financial risk management objectives and policies (continued)

The government adopted tenant support packages, such as rent support through subsidizing part of any rental discounts. The Group engaged tenants in discussions about collecting rent and service charges as well as the terms of any support by the Group. The Group implemented multi-pronged measures to support tenants and encourage consumer spendings, such as reducing rent, allowing rent payment in instalments, waiving late payment interest and service charges.

As for each year end, investment properties have been valued by external independent appraisers as described in the Note 17 Investment properties. Those appraisals have been performed in a context of the current COVID-19 pandemic characterised by lack of transactions since the outbreak of the pandemic and difficulties to estimate future market prospects.
The increased uncertainty and increased volatility in the financial markets might have an effect in the future asset valuations, as well as impact on the Company's compliance with financial covenants. While the exact effect of the coronavirus is unknown and unknowable, it is clear that it poses substantial risks of reduction of income, increasing yields, increasing collection costs, and FX volatility.

During the COVID-19 pandemic, the Group took immediate steps to preserve its strong liquidity position in light of the uncertain impact of the pandemic. These steps included cost and CAPEX measuresin the Company. As of 31 December 2020, the Group holds cash in the amount of EUR 145.4 million.
The Group runs stress tests, which indicated that the going concern assumption remains valid for at least 12 months from the financial statement publication date.
The Group is continuously assessing the situation and undertakes mitigating steps to reduce the impact that may be caused by the adverse market situation.

26. Changes in liabilities arising from financing activities

	1 January 2020	Cash-flows	Changes in fair values	Foreign exchange movement	Other	31 December 2020
Current portion of long-term borrowing	19,092	(5,693)	-	(122)	(8,897)	4,380
Non-current portion of long-term borrowing	106,430	(3,604)	-	(1,826)	8,101	109,101
Non-current portion of bond liability	-	109,982	-	(1,527)	160	108,616
Non-current portion of long-term loans from shareholders	135,782	-	-	-	4,207	139,989
Derivatives	166	-	7,814	-	-	7,980
Total liabilities from financing activities	**261,470**	**100,685**	**7,814**	**(3,475)**	**3,571**	**370,065**

(in thousands of Euro)

26. Changes in liabilities arising from financing activities (continued)

	1 January 2019	Cash-flows	Changes in fair values	Foreign exchange movement	Other	31 December 2019
Current portion of long-term borrowing	6,250	(6,226)	-	(24)	19,092	19,092
Non-current portion of long-term borrowing	106,175	19,924	-	(577)	(19,092)	106,430
Non-current portion of long-term loans from shareholders	151,095	(19,900)	-	-	4,587	135,782
Derivatives	410	-	(244)	-	-	166
Total liabilities from financing activities	**263,930**	**(6,202)**	**(244)**	**(601)**	**4,587**	**261,470**

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings, compensation with loan receivables and the effect of accrued but not yet paid interest on interest-bearing loans and borrowings.

27. Related party disclosures

The Company has entered into a variety of transactions with its related parties. It enters into transactions in the normal course of business on an arm's-length basis.
The transactions with related parties are made at normal market prices. Outstanding loans from related parties are unsecured and presented with accrued interest.
Remuneration of Company's senior managers for the year ended 31 December 2020 and 2019, amounted to Euro 267 thousand and Euro 1,217 thousand, respectively.
The most significant transactions and balances with related parties are presented below:

	Year ended 31 December 2020	Year ended 31 December 2019
Income Statement Transactions		
Interest income relating to Globe Trade Centre S.A. loan	729	611
Interest expenses relating to Globe Trade Centre S.A. loan	4,207	4,587
Financial arrangement fee	88	-
Balance Sheet Items		
Loans to Globe Trade Centre S.A.	-	44,611
Loans from Globe Trade Centre S.A.	139,989	135,782

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

28. Commitments

As of 31 December 2020 (31 December 2019), the Group had commitments contracted for in relation to future building construction without specified date, amounting to Euro 31.8 million (Euro 51.8 million). These commitments are expected to be financed from available cash and current financing facilities, other external financing or future installments under already contracted sale agreements and yet to be contracted sale agreements.

29. Subsequent events

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

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

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

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