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Investments Limited**

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Annual Report and Financial Statements 2021

LANDLORD OF CHOICE

People . Places . Technology

OUR PURPOSE

Our mission is to create value for our shareholders, tenants, and the local communities by acting consistently in an ethical and socially responsible manner.

Creating an environment in which people want to work and be associated with is one of our key objectives, achieved through building a vibrant, modern and greener portfolio.

OUR CULTURE

We believe that having the right culture within Globalworth has been integral to our success over the past few years. Elements of the culture are visible in the work of the Globalworth Foundation and the other corporate social responsibility projects we are engaged in.

We have a management team that focuses on ensuring that we have a strong work ethic whilst also trying to create a positive working environment.

Our Board of Directors places significant importance on the roles of business ethics, sustainable development and corporate social responsibility within the overall approach of the Group.

OUR VALUES

Integral to our culture is adhering to the highest standards of ethical business practices and living by our values, which are:



One Team



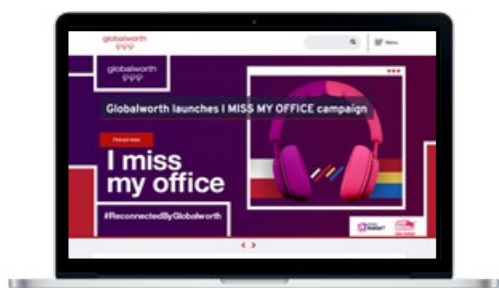
Respect, Diversity
and Inclusion



Act with Integrity



Build an Environmentally
Friendly & Sustainable
Future



LANDLORD OF CHOICE

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OUR PERFORMANCE

2021 has been one of contradictions for Globalworth as, despite the continuing very challenging market due to the COVID-19 pandemic, we have experienced operational successes and business growth, which has, nonetheless, not been reflected in our full-year results.

Having said this, we firmly believe that we have been implementing the right strategy to address the present challenges and reinforce our position as THE landlord of choice in our home markets of Poland and Romania in the future.

FINANCIAL HIGHLIGHTS¹

Portfolio Open Market Value

€3.2bn
€3.0bn (2020)

Shareholders' Equity

€1.7bn
€1.8bn (2020)

IFRS Earnings Before Tax

€62.1m
-€30.5m (2020)

Adjusted Normalised EBITDA

€130.2m
€141.6m (2020)

IFRS Earnings per Share

21 cents
-21 cents (2020)

EPRA Earnings per Share

27 cents
37 cents (2020)

EPRA NRV per Share

€8.66
€8.68 (2020)

Net Operating Income

€144.3m
€157.3m (2020)

Dividend per Share

28 cents
34 cents (2020)

OPERATIONAL HIGHLIGHTS

- Total combined portfolio value up by 3.9% to €3.2 billion.
- Focused development program in select high-quality projects.
 - Romania; delivered a class "A" office with 29.2k sqm of GLA, with 5 logistic facilities under development which are expected to add 98.9k sqm of GLA on completion.
 - Poland; two mixed-use properties under refurbishment/repositioning.
- Acquired two high-quality logistics facilities in Romania with a total area of 27.0k sqm for €17.9 million.
- Overall standing portfolio net increase of 2.4% to 1.3m sqm of GLA in 66 standing buildings.
- Leasing transactions of 285.5k sqm of commercial space at an average WALL of 4.6 years, registering our second highest yearly volume to date.
 - Best year in office leasing with 214.5k sqm of spaces taken up or extended.
- Average standing occupancy of 88.5% (88.7% including tenant options), lower with 2.3% compared to 31 December 2020.
- Total annualised contracted rent up by 0.2% to €183.7m, of which 91.4% from office and industrial properties.
- Rate of collections invoiced and due remained high at 99.2% for 2021.
- Maintained investment grade rating by all three major rating agencies, improving our outlook to "Stable" (from "Negative") by Moody's.
- Sustainability:
 - €2.7 billion in 55 green certified properties.
 - Several green initiatives completed or in progress to improve our footprint.
 - Issued the third sustainable development report and our inaugural Green Bond Report.
 - Maintained "low-risk" rating by Sustainalytics and improved our MSCI rating to "A".
 - Contributed €1.0 million to support over 20 initiatives in Romania and Poland.
- The consortium of CPI Property Group and Aroundtown became the controlling shareholders of Globalworth with 60.6% of the share capital.

¹ Please refer to the Glossary (pages 182-184) for the definitions used and the Financial Review section (pages 46-51) for further details.

CREATING ENVIRONMENTS WHERE BUSINESS CAN FLOURISH

Globalworth is a leading real estate company focusing on Poland and Romania, the two largest markets in Central and Eastern Europe (“CEE”).

It acquires, develops and manages commercial real estate assets, primarily in the office sector, with the objective of being the landlord of choice for the wide and growing variety of multinational corporations in the region.

Globalworth has a real estate portfolio valued at €3.2 billion, managed by an internal team of over 240 professionals mainly located in Poland and Romania.



Globalworth Tower

OUR PORTFOLIO

Combined Portfolio Value (GAV)

€3.2bn
€3.0bn (2020)

Standing Properties

66
64 (2020)

See more information on page 70

Standing Commercial Occupancy

88.5%
90.9% (2020)

Contracted Rent

€183.7m
€183.4m (2020)

Standing GLA

1,302.3k sqm
1,271.3k sqm (2020)

GLA Under Development

98.9k sqm
69.9k sqm (2020)

INVESTMENT CASE

Our established platform, clear strategy and financial strength provide firm foundations for future value creation.

FOCUS ON THE LARGEST REAL ESTATE MARKETS IN THE CEE

- Poland and Romania, our two markets of focus, offer compelling macroeconomic and real estate fundamentals with broad opportunities for value creation.

See more information on page 12

STRONG MANAGEMENT PLATFORM WITH LOCAL PRESENCE

- We are a multi-skilled platform, with substantial on-the-ground operations in our focus markets, with a team of over 240 experienced professionals combining local insight with an international approach.

See more information on page 62

HIGH-QUALITY REAL ESTATE PORTFOLIO

- We own a sizeable and modern real estate portfolio in 12 of the largest and most liquid sub-markets in Poland and Romania which primarily comprises Class “A” offices, and select landmark and strategic investments mainly in mixed-use and industrial properties.

See more information on page 70

STRONG CASH FLOWS WITH FURTHER UPSIDE

- Our portfolio is predominantly leased to a diverse and international tenant base on triple-net, long-dated, annually indexed, Euro-denominated leases.
- Our assets and liabilities are principally Euro-denominated, minimising local currency exposure.
- Further cash flow creation potential from future take-up and development pipeline.

See more information on page 46

TRACK RECORD OF CAPITAL DISCIPLINE AND ACCESS TO BOTH PUBLIC AND PRIVATE CAPITAL MARKETS

- We take a conservative and sustainable approach to financing with diversified sources of capital.

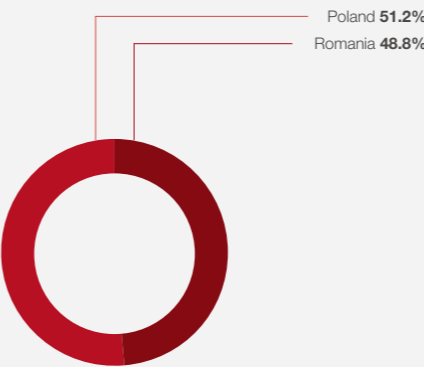
See more information on page 42

MULTIPLE GROWTH DRIVERS TO OUR BUSINESS

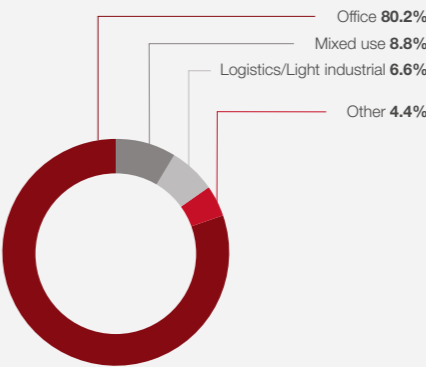
- We continuously explore our markets for value-added investment opportunities in Poland and Romania.
- We proactively seek asset management initiatives for our portfolio and operations, targeting enhanced revenue streams and improved efficiency.

See more information on page 16

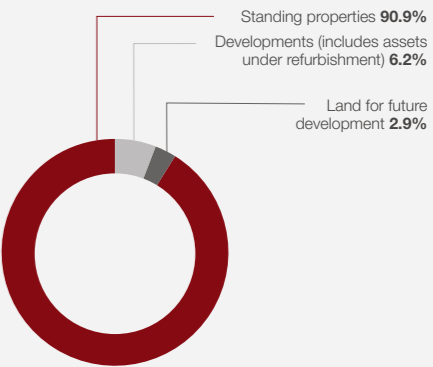
Locations (%GAV)



Property type (% GAV)



Properties by status (% GAV)



OUR ONGOING RESPONSE TO COVID-19

In 2021 we continued utilising our risk-adjusted approach aimed at preserving business continuity, ensuring health and safety, and securing the future growth of the Group.

The Board together with our executive and senior management response teams have been working together in monitoring and implementing our COVID-19 related strategy.

- Our evolving strategy has been respecting measures and guidelines set out at a European level, by the World Health Organization, and at country and local levels.
- Our senior response teams have been holding regular meetings throughout the outbreak of COVID-19, with frequency subject to the state of the pandemic (daily, weekly, monthly), with dedicated email distribution lists established ensuring the timely flow of information.

OUR KEY RESPONSE ACTIONS

BUSINESS CONTINUITY

Investment Capex Targeted on Properties with Lower Risk-adjusted Profile

- Directed in the acquisition of properties with low asset management requirements and long lease profile; or
- Directed on logistic / light-industrial projects with significant pre-lets or high tenant interest which are developed in phases, and a class "A" office which was under construction when the pandemic started (now completed); or
- Directed on select existing properties aiming at maintaining / improving the quality of the spaces offered to tenants.

Team Committed to Sustainable Long-term Future to Business and Stakeholders

- Lowered our recurring overheads and other costs, including employee related costs across all levels and functions in the organisation.

Focused on Maintaining a High Liquidity

- Maintained a high liquidity throughout period with over +€600 million available to the Group through cash and cash-equivalents held at balance sheet and €215 million in a committed undrawn loan facility.

➔ See more information on page 16



HEALTH AND SAFETY

Maintaining Awareness on COVID-19 in our Properties and the Wider Communities

- Continuous communication with tenants, business partners and other stakeholders, on the initiatives taken by Globalworth and providing update information on measures taken by the authorities/governments about COVID-19.

Preventive Measures at our Operating Buildings

- Updated action plan for situations of COVID-19 positive cases detected in our properties.
- Maintained preventive COVID-19 measures in our properties including:
 - social distancing protocols,
 - frequent disinfections with specialised products in areas of high traffic,
 - hand disinfection stations in our lobbies and other public areas,
 - use of HVAC systems, designed to achieve the environmental requirements of comfort, which are monitored and maintained at a high level,
 - updated instruction protocols for vendors and couriers in our properties, with designated areas which are sanitised at a higher frequency.

Preventive Measures at our Development Sites

- Detailed action plan for situations of COVID-19 positive cases being detected.
- Increased health and safety measures, in collaboration with our general contractors and other suppliers, including:
 - COVID-19 related updates and instructions for those who visit and work at our sites,
 - Disinfection points at selected locations,
 - Professional and periodical disinfection of site offices and worker stations.
- Information panels presenting hygiene practices and emergency contacts in place at site entrances and various other visible areas.

Safeguarding our Team

- Regular communication with our team, updating it on the latest COVID-19 developments.
- Daily temperature checks on entering office premises.
- Weekly COVID-19 testing (covered by the Group) in periods of higher infection rates.
- Increased hygiene measures in our workplaces.
- Return to office procedures for team members travelling or being away from the office for more than 5 days.
- Limited business travel.
- Board meetings are performed exclusively using technology.

Work Policies and IT Support to Support Work from Home Requirements

- Flexible work arrangements (work-from home / rotation systems etc) implemented.
- Non-physical communications (phone, videoconferencing etc.), limiting internal and third-party meetings, especially in periods with higher infection rates.
- System stability, network robustness and data security ensuring uninterrupted and safe operation.

ESG Efforts to Help our Communities in Romania and Poland

- Continued supporting our communities with over €1.0 million in Romania and Poland.
- Select events held in our buildings, including Globalworth District events, took place respecting COVID-19 measures.

➔ See more information on page 64

STRATEGIC REPORT

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NAVIGATING THROUGH CHALLENGING MARKETS WITH THE RIGHT STRATEGY IN PLACE



Dimitris Raptis
Chief Executive Officer

“2021 left us with mixed emotions, as our operational successes and business growth in another year of very challenging market conditions due to the COVID-19 pandemic have only partially been reflected in our annual results.

We firmly believe, however, that we are implementing the right strategy to address the present and future challenges, and reinforce our position as THE landlord of choice in our home markets of Poland and Romania.”

Overview

We believe that we have used this year wisely, taking steps towards returning to normal life, focusing on our key strategic priorities to ensure that we are able to reinforce our position as THE landlord of choice in our home markets in Poland and Romania.

This included investments in existing and new high-quality properties, managing our portfolio to preserve and improve our operational performance, and maintaining an efficient and flexible capital structure, resulting in a resilient overall performance. All this while at the same time providing a safe and healthy environment for our people, tenants and communities to work, visit and be part of.

Looking back at the very challenging market due to the ongoing COVID-19 pandemic, I am very pleased to have succeeded in the majority of the goals we set out to do. I also believe that we have taken the proper steps to achieve those that may not have been fully achieved to date, in the future.

At this point, I would like to thank every member of our team of dedicated professionals, whose positive attitude, resilience, commitment, and efficiency, and who have been responding remarkably since the beginning of the pandemic, working under challenging circumstances.

Support from our shareholders, partners and communities has been very encouraging and greatly appreciated.

Our Market

Overall, the uncertainty caused by the COVID-19 global pandemic outbreak has had an impact on demand for office space in the second half of 2020, which has persisted in 2021 in both Poland and Romania.

Market conditions are expected to remain uncertain in 2022 as several companies keep reassessing their occupational plans (extensions, expansions, relocations, release of spaces etc.), both due to the lasting effects of the pandemic as well as due to the recent outbreak of the war in Ukraine.

Having said the above, although uncertainties remain ahead in the near term, we continue to be optimistic about the medium and long-term prospects of our home office markets in Poland and Romania. We expect that multinationals sooner rather than later will start implementing the expansion plans that were halted as a result of the pandemic. In addition, we have seen a significant reduction in future planned office development projects, which should translate into a rebalancing of demand / supply dynamics in favour of office investors in the next 12-18 months.

Investment in Our Portfolio

We are present in seven of the eight largest office markets in our countries of focus and in some of Romania's most attractive logistic/light-industrial hubs. Our growing portfolio at year-end 2021 accounted for 45 investments with a combined value at €3.2 billion, recording a 3.9% annual increase by value.

Our combined standing portfolio increased by 31.0k sqm to 1.3 million sqm of high-quality GLA in 39 investments.

In 2021 we successfully delivered Globalworth Square, our new class “A” office in Bucharest. We also completed our first purchases of standing properties since our decision in 2020 to suspend new acquisitions due to COVID-19.

These two high-quality logistic/light-industrial facilities, located in the western part of Romania, offer a total area of 27.0k sqm, were acquired for €17.9 million and are 100% let to two multinational tenants on 15-year lease agreements.

We prioritised the development of other new high-quality logistics/light-industrial facilities in Romania (98.9k sqm) and the refurbishment/repositioning of two mixed-use properties

in Poland aiming at increasing their class “A” office space and improving their retail/commercial offering, in response to current market conditions.

In our effort to improve the quality of our services to our partners, we continued to internalise the property management of our portfolio, kept (re) investing in our properties, maintained and, where required, improved the quality of our buildings. Overall, we internally manage 962.6k sqm of high-quality office and mixed-use space in Poland and Romania with an appraised value of €2.5 billion, accounting for 96.8% of office and mixed-use standing properties.

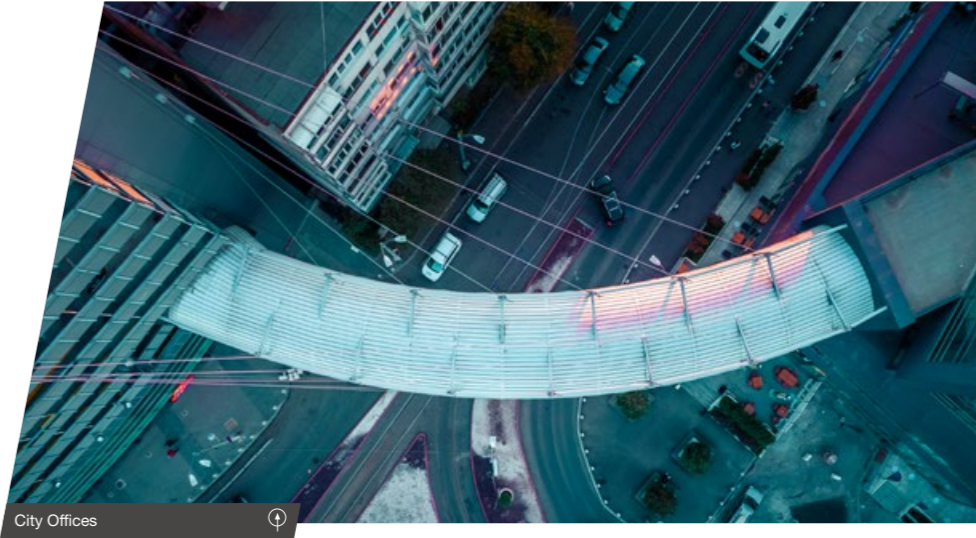
Our Leasing

In addressing the current challenging market conditions, we firmly believe in the need to provide safe and healthy environments for people to work in, tailored leasing solutions to tenants, allowing them more occupational flexibility, providing modern properties which are easily accessed and centrally located within their respective sub-markets.

2021 was our best year in office leasing with 214.5k sqm of spaces taken up or extended, contributing to our second-best year overall with 285.5k sqm of commercial spaces agreed at an average WALL of 4.6 years. We expect all these leases, signed with 232 tenants, to generate rental income of €187.5 million in the future of which 81.2% will be from office leases.

Most of our leasing success involved contract renewals, accounting for 54% (from 74% in 2020) of our total leasing activity. However, the increased level of new leases signed, 46% in 2021 from 26% in 2020, is an encouraging sign for our ability to attract new tenants to our standing properties and developments. This increased level of new take-up was due to several of our development projects being delivered over the past 18 months or are under construction, and they are in their respective lease-up phases.

Headline rents were marginally affected in 2021, as the impact of COVID-19 was offset by lower new supply in the market and inflation pressures. However, the increased competition between landlords and developers to secure high-quality tenants is evident in the higher costs involved in renting spaces which we occurred in this period, increasing from 21% in 2020 to 29% in 2021.



The benefits of being able to sign lease agreements with such high-quality national and multinational tenants, which has been our longstanding strategy, and establishing long-term partnerships with them, thus ensuring sustainable cash-flow generation, could not be more evident than during a period of the pandemic, where we have been able to maintain a high rate of collection with over 99.2% of the rents invoiced being received in line with their regular cycle. Also the level of claims received by tenants was limited to 1.6% (vs 6.1% in 2020) of our annualised contracted rents.

Our Occupancy

The average occupancy of our combined standing commercial portfolio was as of 31 December 2021 was 88.5% (88.7% including tenant options), 2.3% lower over the past 12 months.

It is important to emphasise that the like-for-like occupancy rate in 60 of our 61 standing properties remained effectively unchanged at 90.8% at year-end 2021 (91.0% at 31 December 2020), increasing to 91.0% when including the two fully let industrial facilities acquired during the year.

However, two sizable offices with an average occupancy of 41.8% negatively impacted our overall standing occupancy. The two offices were Globalworth Square in Bucharest, delivered in June this year and is in its lease-up phase and Warta Tower (22.7% occupied) in Warsaw where its principal tenant relocated in December and we are assessing alternative asset management initiatives.

Our Financial Results

Our operational successes and business growth have only partially been reflected in our annual results.

OUR AWARDS

In 2021 we received several awards in different categories in Romania and Poland, which included:

EPRA SBPR

– Silver Award

Forbes Best Office Buildings

– “The most active player on the office market, both in the relocation and in the contract extensions segments”

Europa Property

– Globalworth Square

CIJ

– Globalworth: Best Commercial Asset Management Company

– Globalworth: Best Office Property Management Company

Złote Spinacze (Golden Clips):

– Bronze in the Real Estate, Constructions, Home and Interior Design category

CSR

– 7 awards received for our contribution and participation in different initiatives and programmes in Romania and Poland

Net Operating Income for the 12 months of 2021 was lower by 8.3% to €144.3 million compared to 2020.

Our initiatives to improve operational efficiency were somewhat offset by the one-off costs associated with the cash offer by the consortium of CPI Property Group S.A. and Aroundtown SA to acquire the entire issued and to be issued share capital of Globalworth in May 2021, thus resulting in EPRA earnings decreasing by 28.2% to €59.1 million, as compared to the same period in 2020.

Adjusted normalised EBITDA decreased by 8.1% to €130.2 million, due to lower NOI, offsetting the positive impact from the €1.6 million savings in recurring administrative expenses.

Finally, our Net profit more than tripled to €47.5 million due to marginal revaluation losses of €5.7 million in 2021 compared to the €116.2 million revaluation losses in 2020.

During the year, we paid the second interim dividend of €0.15 per share in respect to the 2020 financial year and €0.15 per share in respect to the first interim dividend of 2021. In addition, on 10 March 2022, we announced the second interim dividend for 2021 of €0.13 per share, resulting in a total dividend for the 2021 financial year of €0.28 per share. Both 2021 dividends represented at least 90% of the EPRA Earnings for the first and second six months of the year, as stipulated by our articles of incorporation.

Liquidity has always been a key area of focus and, especially since the COVID-19 pandemic outbreak, we have taken several steps to ensure that we have sufficient cash in this period while investing in our portfolio. At 31 December 2021 our liquidity included €418.7 million in cash and cash equivalents (vs €527.8 million at 2020 year-end) plus €215 million in an undrawn RCF facility, and an LTV at 40.1% (vs 37.8% at 2020 year-end).

In addition we maintained our “BBB –” rating and “Stable” outlook from S&P and Fitch, while Moody’s re-affirmed our “Baa3” rating and improved our outlook to “Stable” from “Negative” in November.

Our Sustainable Development
Our approach to sustainable development centres around “People, Places and Technology”. We are committed to delivering environmentally friendly and safe buildings that meet the needs of our occupiers and make a positive contribution to the communities we are an integral part of.

In 2021, together with Globalworth Foundation, we supported over 20 initiatives with over €1.0 million in Romania and Poland.

Furthermore, consistent with our commitment to energy-efficient properties, we certified or recertified 38 properties with BREEAM Very Good or higher certifications. At the end of 2021, we owned 55 green-certified properties valued at €2.7 billion. We are particularly delighted that at the beginning of 2022 our Globalworth Square received BREEAM Outstanding accreditation, with 99% scoring, placing our class “A” office in the 3rd place worldwide.

In addition, in December, we received WELL Health-Safety Ratings for 15 (of our 16) office buildings in Romania, further demonstrating that our properties provide safe and healthy places for corporates to operate and for people to visit and work in. We are currently performing the same process for our properties in Poland and Globalworth Square in Romania.

Also, we secured that 100% of the energy used in our Polish properties and our Romanian office portfolio to be generated from renewable sources. This initiative is part of our broader preparatory actions for nZEB, involving other steps, including introducing intelligent metering and implementing FORGE for monitoring.

Finally, we are firm believers that we can support and properly manage our ESG performance through robust performance monitoring and reporting. This year, I am pleased that we have improved our reporting by publishing our third annual sustainability report (for the FY2020), our inaugural Green Bond allocation report and the Globalworth Foundation Annual report.

Our Governance
Our Board of Directors was further reshaped in 2021 because of the shareholder change of control. As a result, Mr G. Miller, Mr J. Whittle and Ms A. Petreanu stepped down from their positions, with Mr A. Tautscher, Mr P. Olendski, Mr F. Stelian and Mr D. Malkin being appointed new members on the Board.

I would like to personally thank parting members for their significant contributions to the Board and successful tenure to the new members. I look forward to working closely with them and the rest of the Board in steering Globalworth in the future.

In January 2022, it was announced that the CFO of Globalworth, Mr A. Papadopoulos, made a decision to step down from his role at the end of April 2022, which he had held since 2014. I have worked closely with Andreas over the past eight years, and we are very sorry to see him leaving the team. We are very thankful for and appreciative of his invaluable contribution and unwavering commitment over the past years and wish him all the very best for the future.

Our Shareholders
As mentioned above, CPI Property Group S.A. and Aroundtown SA formed a consortium and, via Zakiono, made a cash offer for the entire issued and to be issued share capital in the Company at €7.00/share. The offer was initiated in May 2021 and successfully completed in July 2021. The consortium now holds 60.6% of the share capital via Zakiono, thus being the largest and controlling shareholder of Globalworth.

The fact that Globalworth is now controlled by two very sizeable, financially strong, and reputable European real estate institutional investors is a vote of confidence by them in the quality of the team, the Company and its portfolio. We are confident that with their support and closer cooperation, Globalworth will be even more successful in the future.

Outlook
For 2022, our primary focus will remain the active management of our portfolio of high-quality properties, as we continue operate in an uncertain market underpinned by the lasting effects of the COVID-19 pandemic and of the war between Russia and Ukraine which commenced at the end of February. We don’t have direct exposures to related parties and/ or key customers or suppliers from those countries, however at this point it is too early to assess the impact that this war will have in the overall economy and our markets of interest.

At the same time, investing in our prime developments will remain a priority, and we are also ready to act quickly if new attractive opportunities become available.

Although the office of the future may need to be adjusted to potentially offer greater flexibility or alternative space planning arrangements, I firmly believe that its importance will not diminish. Many companies are also publicly confirming the view that the office environment increases productivity, promotes creativity, innovation, consistency, and fosters relationships and corporate culture, which are essential for their businesses’ long-term sustainability and growth.

Hoping for a peaceful resolution to the Ukraine war the soonest possible, we are very well-placed to continue to address ongoing challenges successfully, and I firmly believe that we can achieve new levels of success in the future.

Hope for peace!



Dimitris Raptis
24 March 2022



2021 MARKET REVIEW

2021 was a year of rebound in the market, as the key macroeconomic indicators show, however the effects of the COVID-19 global pandemic are expected to have a longer-term effect in our markets of operation.

The COVID-19 global pandemic outbreak is having a lasting effect on our lives, as well as the environment we live and work in.

The pandemic has caused loss of life, forced restrictions on movement and disrupted the operation of businesses, retail shops and schools among others. 2020 also witnessed the deepest global recession of recent times, with the IMF estimating that global GDP declined by 3.3% over 2020 with large parts of many economies closed to protect their populations.

2021, however, saw global economies, authorities, businesses and people adapting, with economic growth observed across the majority of the developed economies, recovering from the impact of the pandemic, which has been managed through mass vaccination programmes, widespread government support and the subsequent reopening of economies.

Global GDP in 2021 is estimated to have exceeded its pre-pandemic level. In Poland and Romania, our countries of interest, the economy has responded strongly as domestic COVID-19 restrictions were relatively few and GDP was estimated to have grown by 5.7% and 6.3% respectively in 2021.

However, the pace of future growth, in our markets of interest and globally, remains uncertain due to the lasting impacts of the COVID-19 pandemic, as supply chains are disrupted, energy, commodity prices and transportation costs are increasing worldwide, inflation has been increasing and the war between Ukraine and Russia remains.

At Globalworth, since our inception c.10 years ago, we have been focusing on creating sustainable value and delivering positive risk-adjusted returns over the long-term.

We achieve this by being a “local” and hands-on landlord who is quick to identify and respond to market trends to build opportunities for the future, while at the same time managing the challenges to the business effectively and in the interest of our shareholders and other stakeholders.

INVESTOR AND OCCUPIER FOCUS ON OFFICE AND INDUSTRIAL SEGMENT

Office and industrial (eg logistic, warehouses and light-industrial) properties remained the main commercial real estate sectors of focus by investors.

Particularly with the accelerated rise of remote work for wide categories of employees, and the emergence of e-commerce as restrictions on retail schemes applied during certain periods of the year, resulted in increased investor interest for industrial spaces.

How we are responding:
In 2021 we continued investing, either by acquiring or developing, high-quality office and industrial properties in our portfolio. Through our ongoing investment we aim to maintain our dominant position in our markets/segments of operation.

During the year we added 3 properties with a total GLA of 56.2k sqm, a class “A” office in Bucharest and 2 high-quality facilities in respective locations in Romania. In addition we have prioritised the development of 4 projects with 5 buildings, and have further 1,218.3k of land where we can develop 776.8k – in phases – of high quality office and industrial GLA in Romania and Poland.

Furthermore, we are in the process of redeveloping/repositioning two of our mixed-use properties in Poland to increase their office component in response to market trends.

FLEXIBLE WORKING AND OFFICE SPACE

Corporates have used remote working more extensively due to COVID-19 to continue operating during the pandemic. Many are also anticipated to adopt a more balanced approach in the future; nevertheless, we expect to see continued demand for high-quality office space as we return to “normality”.

We also anticipate that corporates will seek to occupy spaces through a mix of fixed and flexible and short-term leases, enabling them to operate more efficiently and react quicker to market changes, thus increasing their potential to stay in business and achieve sustainable growth.

How we are responding:
Our portfolio mainly comprises Class “A” environmentally friendly offices, which accommodate front-office and support operations in seven cities in Poland and Romania, accounting for 73.1% of our combined portfolio by value.

We focus on leasing spaces to high-quality national and multinational corporates, and 665 tenants occupy our office and mixed-use properties. Even during the pandemic, this has allowed us to maintain a very high rent collection rate, as physical occupancy in our properties has been lower due to work-from-home policies used.

In addition, we continued offering a safe and healthy environment to work in and provided tailored leasing solutions to tenants, allowing them more occupational flexibility.

Our flexible and hands-on approach, covering a wide spectrum of services such as leasing and fitouts, enables us to remain close to our partners, build stronger relationships with them, and adapt quickly to changes in market trends and tenant demands as we assist them during the respective stages of their life cycle.

Finally, our increasing investment in high-quality logistics/light-industrial properties, which as at year-end 2021 accounted for 6.6% and 7.3% of our combined portfolio value and contracted rent respectively, has allowed us to diversify our portfolio in a highly sought-after market segment.

ENVIRONMENTALLY FRIENDLY AND SUSTAINABLE SOLUTIONS

Tenants, partners, corporates and other stakeholders are increasingly focused on the environmental impact of their operations and are seeking environmentally friendly and sustainable solutions.

In the real estate sector, minimising the environmental footprint of properties and creating workplaces that positively impact human health and well-being are becoming key areas of focus.

How we are responding:
We principally target properties with BREEAM Very Good, LEED Gold or higher green certification or the potential to achieve this. At year-end 2021, we had 55 green-certified properties in our portfolio with an appraised value of €2.7 billion.

In addition, in 2021, we started introducing WELL Building Standards certifications for our properties, and at the year-end, we had 15 offices in Romania certified. A similar initiative is currently in progress for our properties in Poland. Through the WELL certification, we

aim at providing additional comfort to our tenants that our properties support human health and wellbeing.

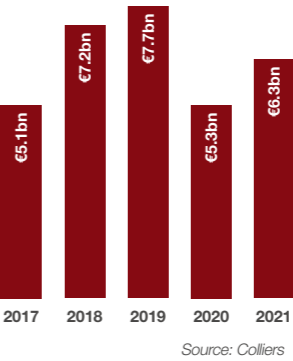
Furthermore, as part of our overall green initiatives, we were able to secure 100% of the energy used in our Polish properties and 97% for our properties in Romania is generated from renewable sources.

Installing EV charging in all our car parks, exploring alternative ways to generate/use renewable energy in our properties, and other solutions (e.g. ice storage systems and geothermal energy systems in our Globalworth Square) are also being identified and implemented.

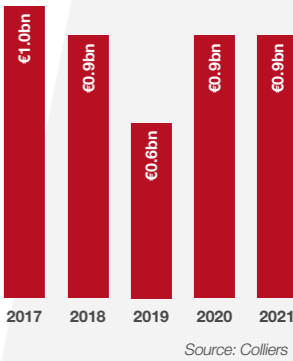
Selected Market Data

Investment Volume

Poland

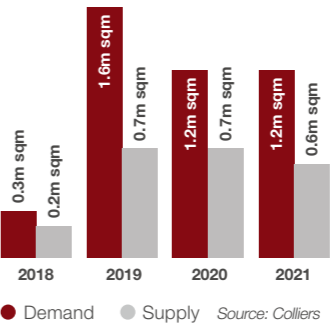


Romania

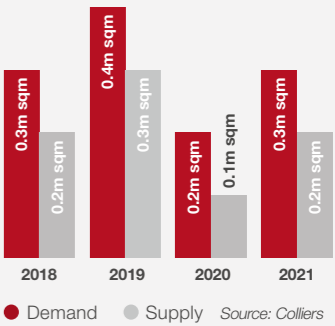


Office demand and supply balance

Poland




Romania





OUR PURPOSE-DRIVEN BUSINESS MODEL


Globalworth’s mission is to create value for its shareholders, tenants, and the local communities by acting consistently in an ethical and socially responsible manner.

OUR RESOURCES AND RELATIONSHIPS

- 

Skilled team
In-house team of professionals with strong functional and local knowledge of their markets.
➔ See more information on page 64
- 

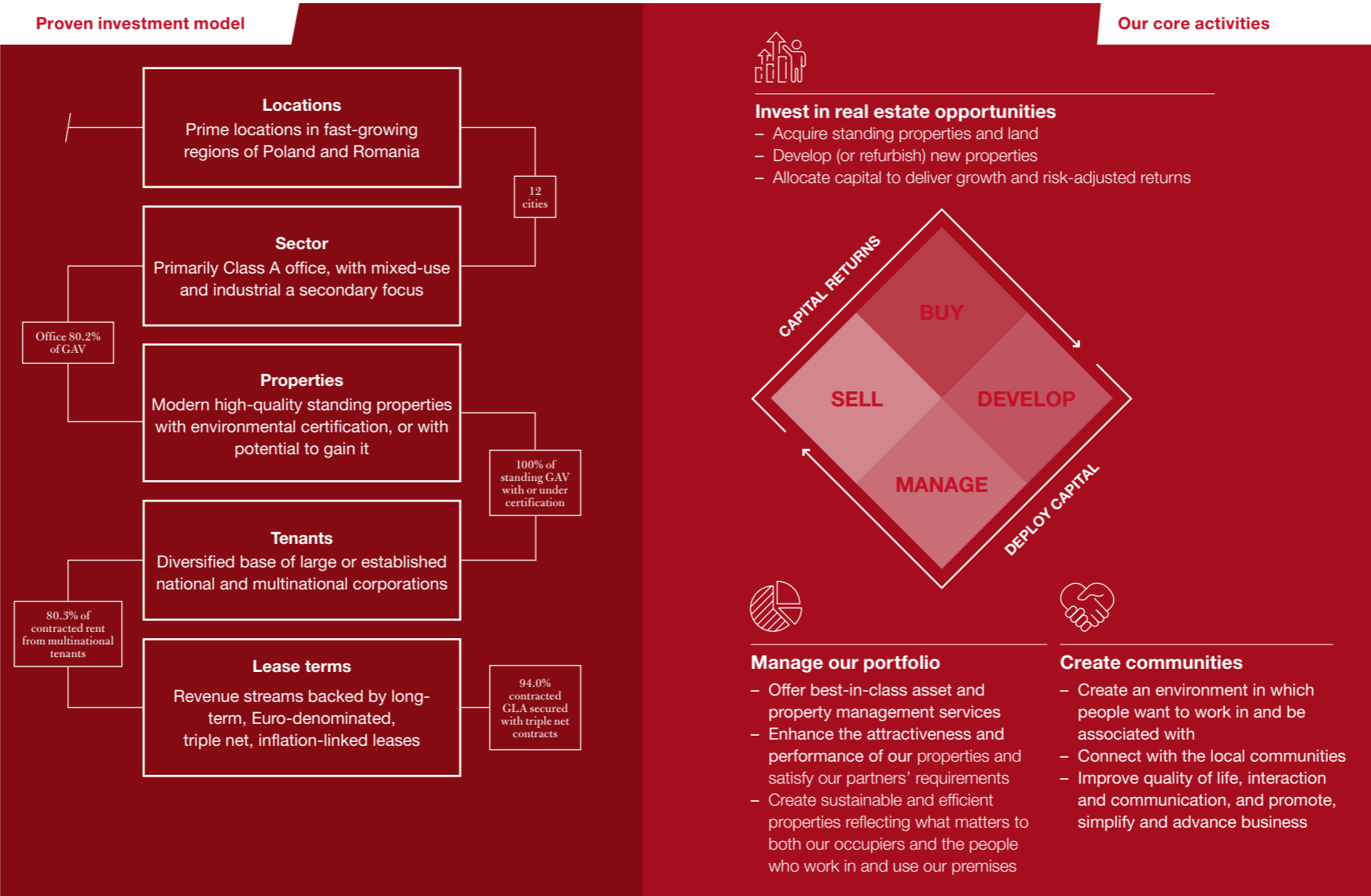
Financial strength
Conservative financing policy, with simple debt structure and Euro-denominated assets, liabilities and revenues, and a supportive shareholder base.
➔ See more information on page 52
- 

Scale and reputation
Trusted brand and scale creating new opportunities and business efficiencies.
➔ See more information on page 16
- 

Valued relationships
Longstanding partnerships with leading real estate industry specialists and credible financial institutions.
➔ See more information on page 36

We aim to manage our resources to deliver attractive returns to shareholders and value to other stakeholders.

WHAT WE DO TO CREATE VALUE



UNDERPINNED BY OUR VALUES

- 

One team
- 

Act with integrity
- 

Respect, diversity & inclusion
- 

Build an environmentally friendly & sustainable future

CREATING SUSTAINABLE LONG-TERM VALUE

- Financial**
- Generate long-term sustainable and attractive, risk-adjusted returns through yield and capital appreciation, allowing us to create the capacity to distribute dividends for our shareholders.
- Rental growth
 - Portfolio value appreciation
 - EPRA NRV growth
 - Sustainable and recurring dividend
- Non-Financial**
- Create a Group and an environment in which people want to work, do business, and be associated with.
- Invest in sustainable and environmentally friendly buildings which help businesses grow.
 - Create safe and healthy spaces where people want to work and be associated with.
 - Assist and improve the communities we are part of by creating opportunities and making a positive contribution.

➔ See more information on page 60

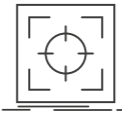
STRATEGY FOCUSED ON SAFEGUARDING OUR BUSINESS AND GENERATING SUSTAINABLE GROWTH

Navigating through the COVID-19 pandemic by utilising a strategy to deliver attractive, sustainable long-term value to our shareholders and other stakeholders

Strategic pillar



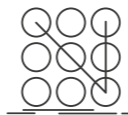
ENSURE THE HEALTH & SAFETY OF PEOPLE IN OUR PROPERTIES AND THE WIDER COMMUNITIES



STRENGTHEN OUR POSITION IN OUR CORE MARKETS



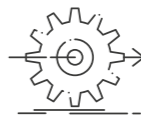
EFFECTIVELY ASSET & PROPERTY MANAGE OUR REAL ESTATE



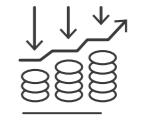
PRESERVE AND/OR PROTECT OUR OPERATIONAL EFFICIENCY



INVEST IN SUSTAINABLE ENVIRONMENTS & COMMUNITIES



MAINTAIN AN EFFICIENT AND FLEXIBLE CAPITAL STRUCTURE



HAVE A DEFENSIVE AND GROWING OPERATING FINANCIAL PERFORMANCE

Progress in 2021

We continued to actively engage with and supporting our stakeholders.

Working closely with our tenants, the people who work in and visit our properties, accessing our spaces safely, and supporting them (when possible) to continue operating with minimal disruption has been a critical focus of our efforts.

Initiatives first implemented in 2020 continued and intensified in 2021 leveraging from our experiences since the pandemic outbreak, such as:

- Increasing awareness about COVID-19 and how to take actions to protect ourselves.
- Implementation of Preventive Measures at our Operating Buildings and development sites.
- Safeguarding our team through implementation of several policies at our workplaces and providing the necessary support to be able to work remotely from home.
- Updating our work policies and supporting work requirements.

In addition, directly and indirectly through the Globalworth Foundation, we continue supporting our community by contributing over €1.0 million in over 20 initiatives in Romania and Poland.

We further enhanced our presence in our two countries of operation:

Acquisitions

- We acquired two high-quality logistic / light-industrial facilities in the western part of Romania for €17.9 million, offering a total of 27.0k sqm. The facilities are 100% let to two multinational tenants on 15-year lease agreements.

Deliveries

- Globalworth Square, the class “A” office in Bucharest with 29.2k sqm delivered in H1-2021.

In Progress

- 98.9k sqm in high-quality logistic / light-industrial facilities in Romania under construction.
- Two mixed-use properties in Poland are under refurbishment/ repositioning to increase their class “A” office space and improve their retail/commercial offering in response to current market conditions.

Signed and/or extended leases with 232 tenants for 285.5k sqm of commercial space, at an average WALL of 4.6 years, representing our second highest year in terms of leasing transactions since the inception of the Group.

Maintained our total annualised combined contracted rent at €183.7 million at YE-2021 (0.2% higher compared to the year before); however, our overall average standing commercial occupancy decreased by 2.3% compared YE-2020 to 88.5% (88.7% including tenant options), impacted by:

- The addition of three properties to our standing portfolio with average occupancy lower than the Group average.
- A 2.1% decrease in LfL occupancy due to Warta Tower in Warsaw, where its principal tenant relocated in December (sale and other asset management initiatives are being considered for the property).
- Invested €24.0 million as part of our renovation and upgrade programme for select properties, identifying and deploying alternative strategies to create value.

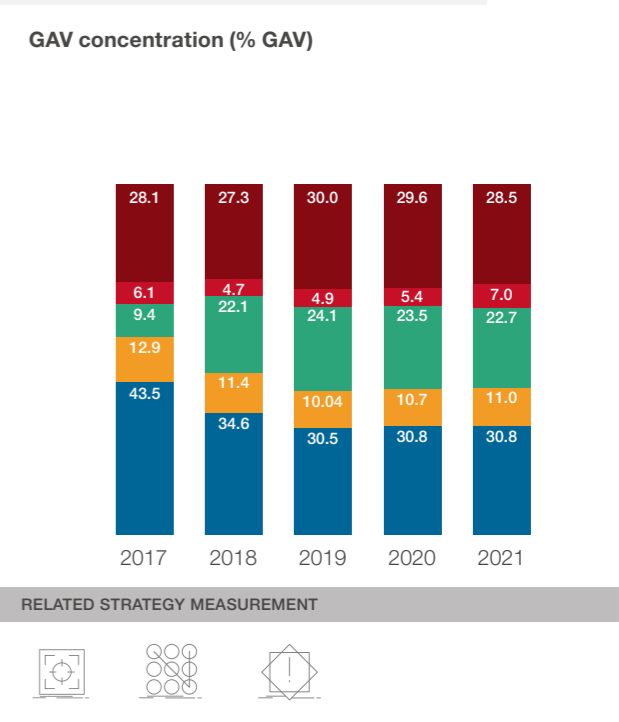
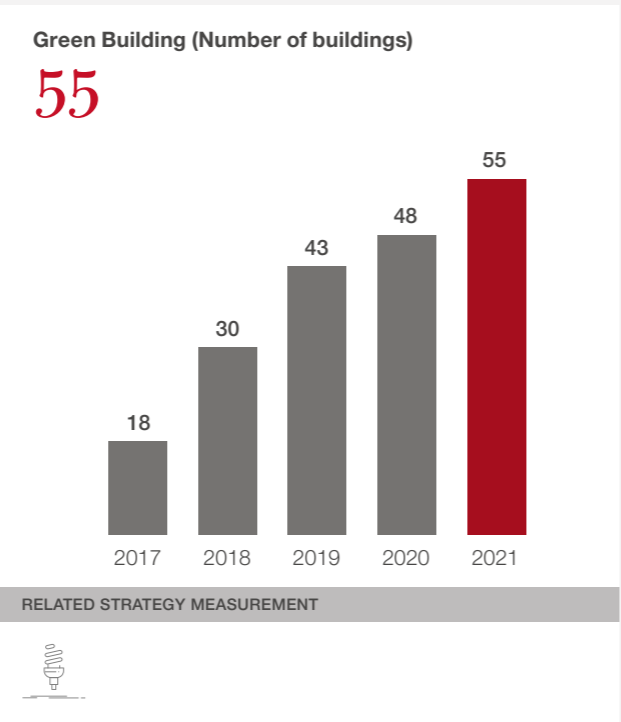
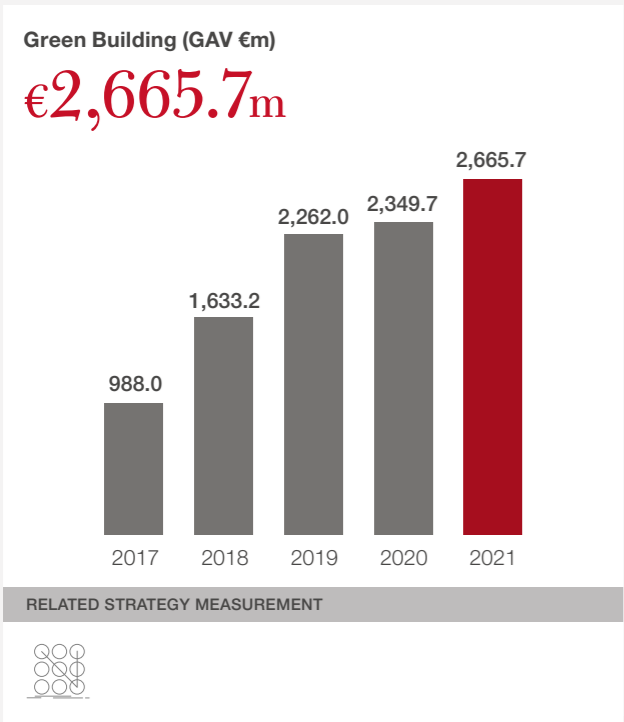
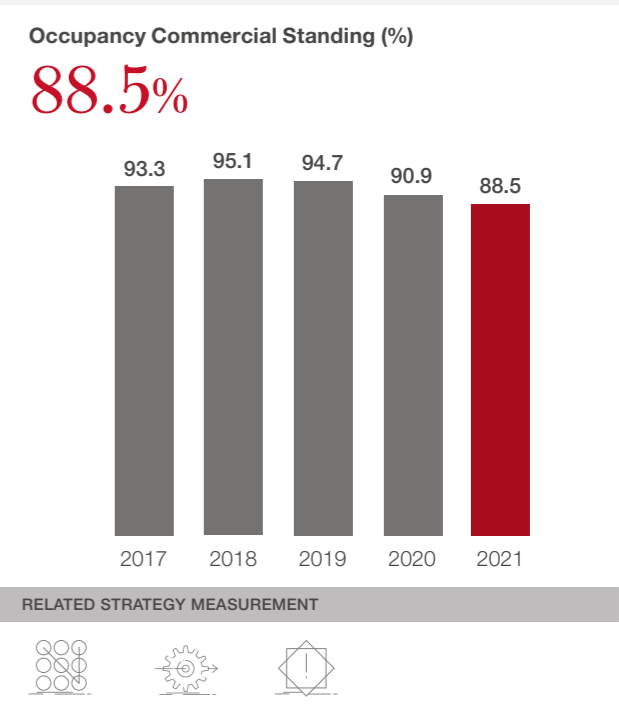
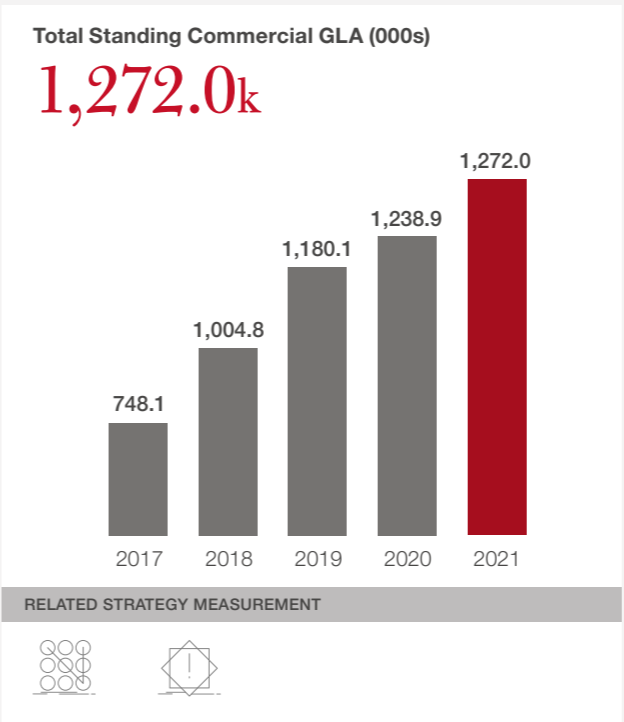
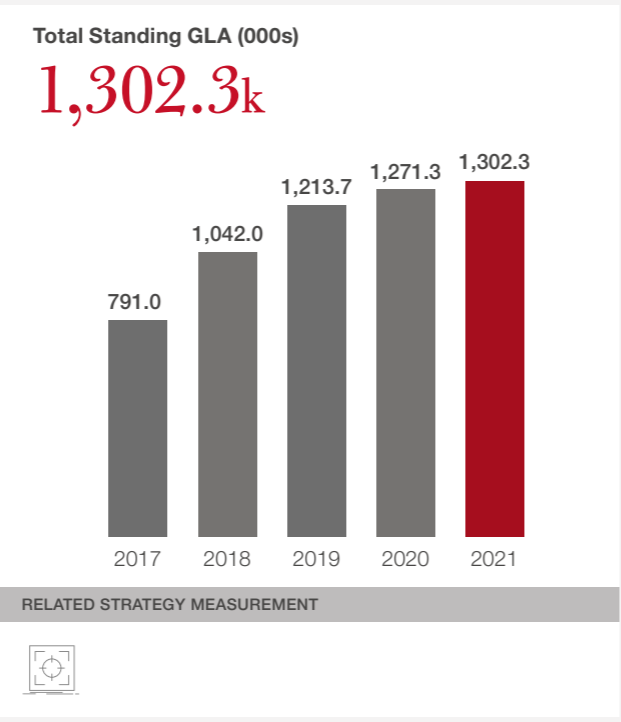
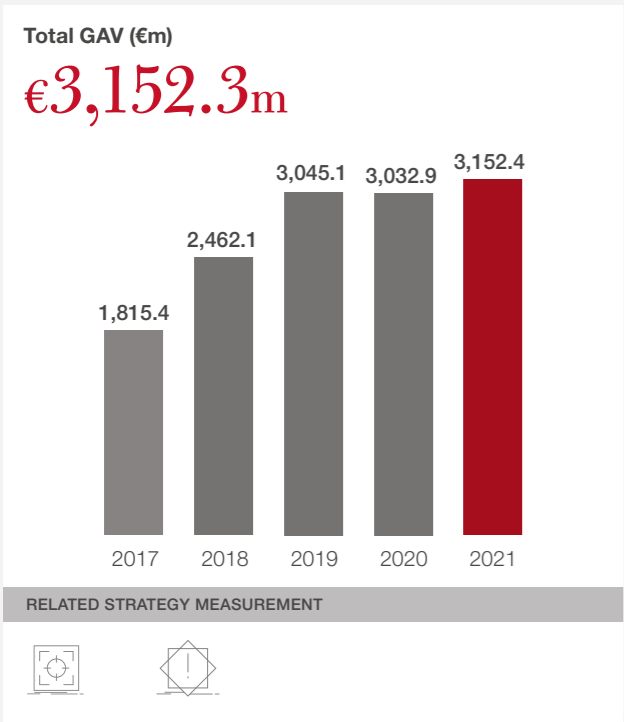
- Our portfolio predominantly comprises of office and industrial spaces that have remained largely unaffected by direct measures taken by the authorities against COVID-19.
- We continued to internalise property management, with 96.8% of office and mixed-use standing properties (90.6% of total standing commercial portfolio by value) managed in-house, driving enhanced customer focus.
- The rate of collections for rents invoiced and due remained high at 99.2%, with the remainder in the process of being collected.

- Remained committed to investing in energy-efficient properties, with 38 properties certified or recertified with BREEAM Very Good or higher certifications in 2021.
- We own €2.7bn in environmentally friendly properties:
 - 53 green standing certified properties, accounting for 89.3% of our standing commercial portfolio by value,
 - Renoma and Supersam maintained their green certification, though currently under refurbishment/ repositioning.
- We switched to 100% of the energy used in our Polish properties to be generated from renewable sources and 97% for our Romanian properties.
- We issued the third sustainable development report for FY2020 and our inaugural Green Bond Report.
- Maintained our “low-risk” rating by Sustainalytics and improved our MSCI rating to “A” (from “BBB”).

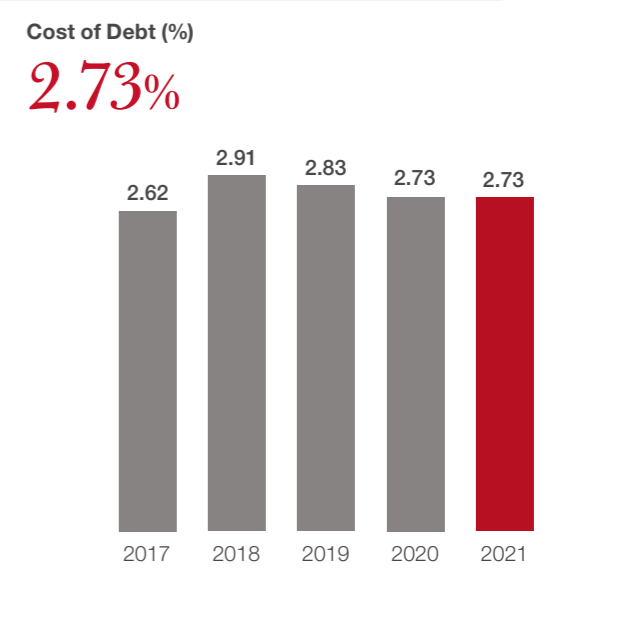
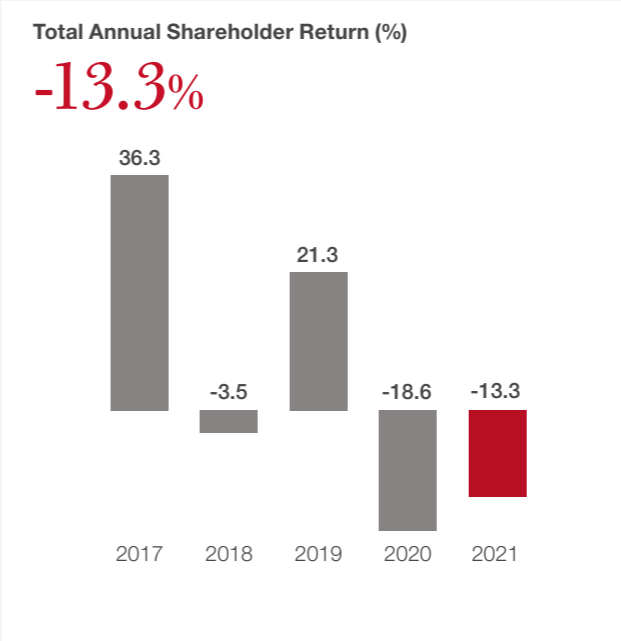
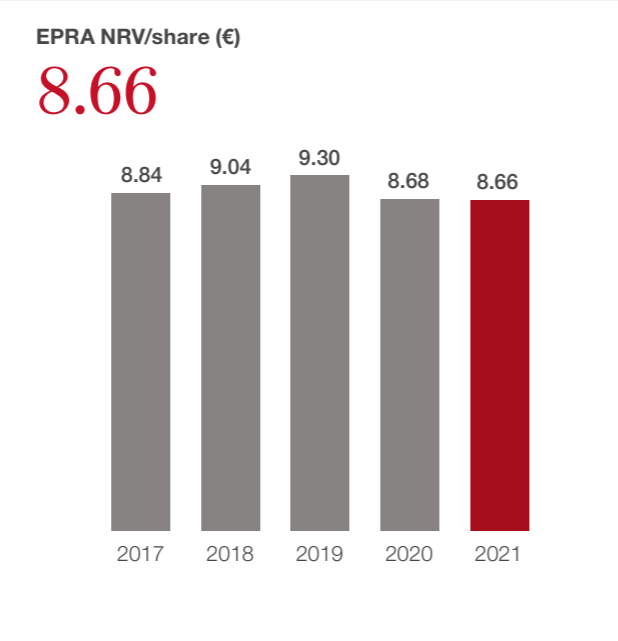
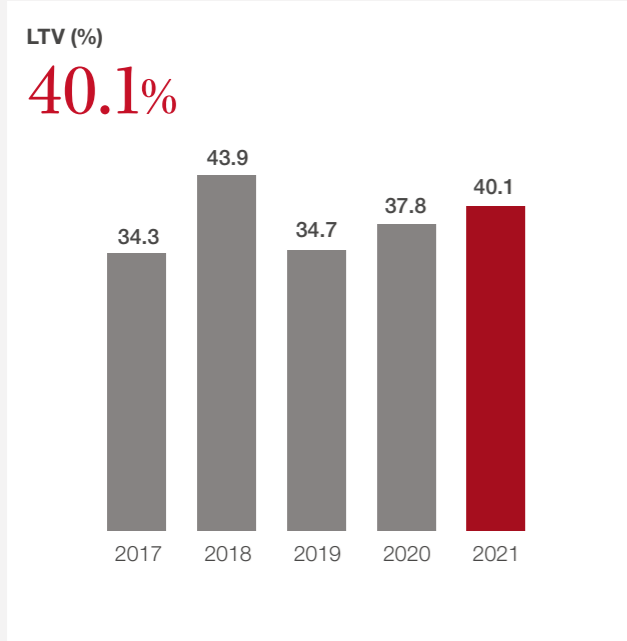
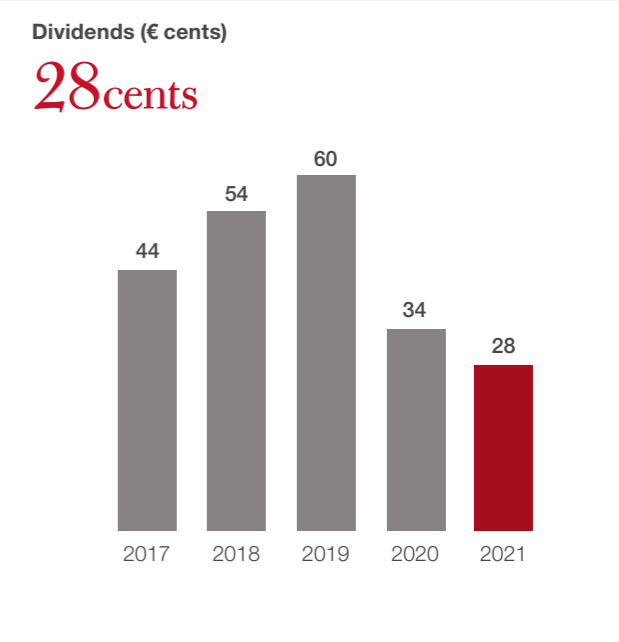
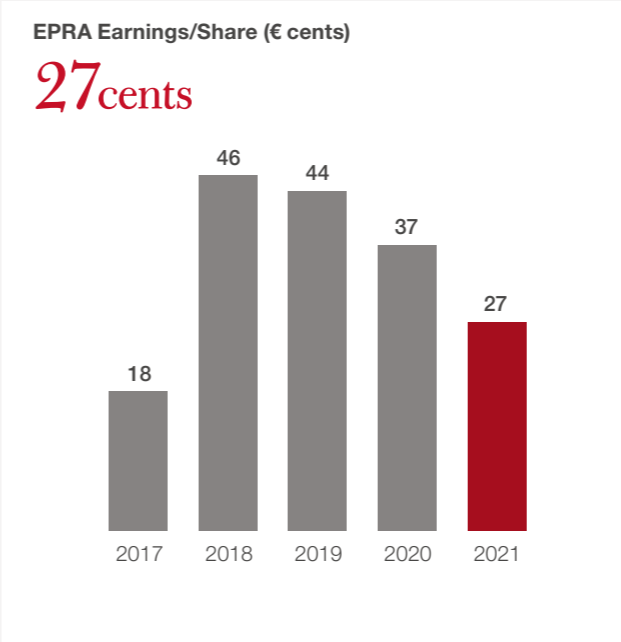
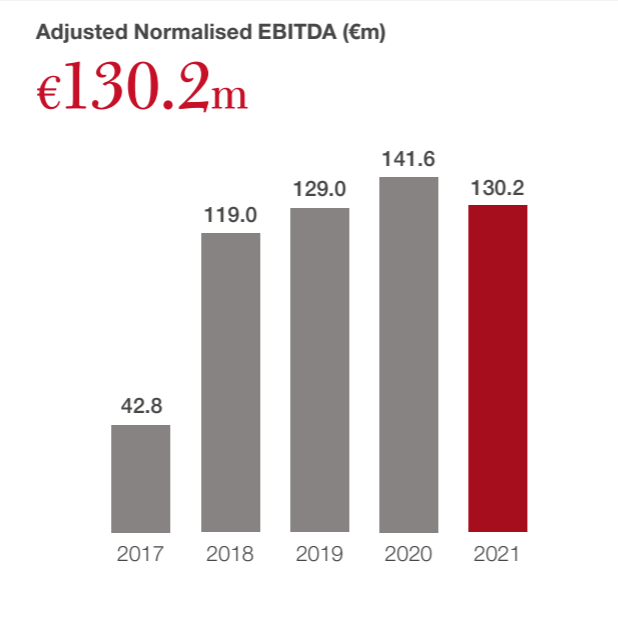
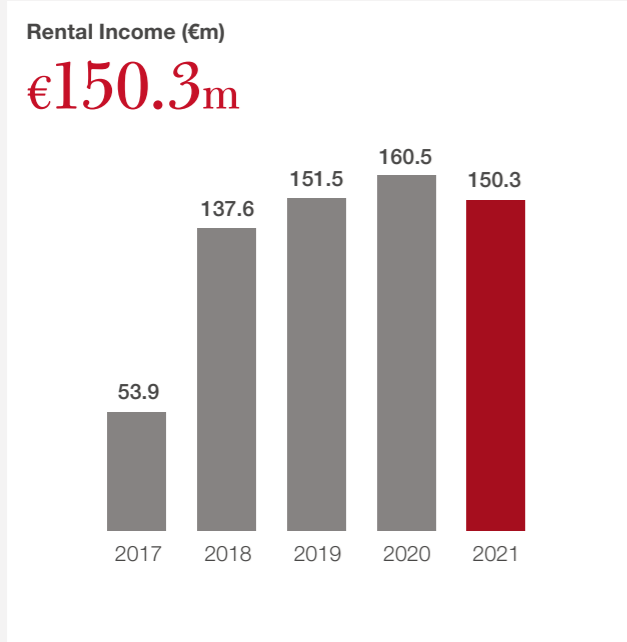
- Maintained investment grade by all three major rating agencies.
 - Moody’s affirmed Globalworth’s “Baa3” rating and improved our outlook from “Negative” to “Stable” in Q4-2021.
 - Fitch and S&P re-affirmed both rating and outlook of “BBB-” and “stable” respectively.
- Liquidity remained high throughout the year, and at 31 December 2021, we had €418.7 million of cash and cash equivalent in our balance sheet, plus an additional €215 million in a committed undrawn loan facility (RCF). Our LTV was at 40.1% at 31 December 2021.

- We have been focusing on protecting the business and generating sustainable value for our shareholders, though our strong operating performance was not fully reflected in our financial results, as we have been operating in a challenging real estate market.
- Net Operating Income of €144.3 million in FY2021, 8.3% lower compared to FY2020.
 - Positive effect from initiatives including savings in recurring administrative and other expenses, marginally impacted our adjusted normalised EBITDA which was 8.1% to €130.2 million.
 - Our Net profit more than tripled to €47.5 million mainly due to the revaluation of the properties in our portfolio.
 - EPRA NRV of €1.92 bn or €8.66 per share (€8.68 per share at YE-20).
 - Maintained our semi-annual distribution of dividends, with €0.30 per share cash dividend paid to our shareholders.

/ FIVE-YEAR PORTFOLIO EVOLUTION



/ FIVE-YEAR FINANCIAL PERFORMANCE



NEW ACQUISITIONS

Tenant demand for industrial properties, and specifically for warehouses, logistic and light-industrial buildings has significantly accelerated since the COVID-19 pandemic outbreak and has become a market segment in which we have growing our footprint over the past few years.

In 2021, we invested €18.0 million for the acquisition two high-quality logistic facilities in the western part of Romania and for additional land adjacent to one of our existing mixed-use developments in Constanta

The two facilities in Arad and Oradea were acquired for €17.9 million, offer a total area of 27.0k sqm, are 100% leased to two multinational corporates on long term leases generating an annual rent of €1.5 million at the time of their acquisition. IPW Arad and IPW Oradea represent the first purchases of standing properties by the Group since our decision in 2020 to suspend the acquisition of new standing properties, as part of our initiatives to safeguard our business and liquidity in a period of increased uncertainty due to COVID-19.

In addition, and in order to facilitate further the success and the development of the future phases of our Constanta Business Park project, we acquired a small parcel of land (1.5k sqm) which improves the visibility from the main road and access to our investment.

INDUSTRIAL PARK WEST - ORADEA

Industrial Park West – Oradea comprises of 6.9k sqm facility delivered in the second half of 2020, and 100% leased on a 15-year lease (13.7 years remaining) to Iwis, the world leader in innovative, cost-effective timing drive systems based on precision chains.

IPW Oradea is located within the industrial zone of Oradea, and strategically located in the European Road E60 and c.4 km from the Romanian/ Hungarian border.

The park could potentially increase its floor space by up to 9.9k sqm in the future.



Modern Interiors



10.5m Clear Height



LED Lighting



Green Energy Solutions



Excellent Location



INDUSTRIAL PARK WEST - ARAD

Industrial Park West – Arad is a 20.1k sqm facility in the North-West part of the city and part of the industrial zone of Arad. IPW Arad was developed in two phases between 2012 and 2020.

Phase 1 was delivered in 2012, and comprises of light-production, warehouse, office and technical areas.

Phase 2 was delivered in 2020, further increasing the production and office areas in the property.

IPW Arad is strategically located only a few kilometres from the A1 motorway, the Arad International Airport and the city centre, to which has excellent connectivity, while the park has the necessary infrastructure within the park to be able to support high-quality international corporates.

The park is 100% leased, and on a 15 year lease (13.1 years remaining) to Huf Romania, the Romanian subsidiary of the global automotive supplier Huf Group, the leading specialist for secure car access and authorisation.



Modern Interiors



10.5m Clear Height



LED Lighting



Green Energy Solutions



Excellent Location



PROPERTY OVERVIEW

Location
Oradea/Romania

Type
Logistics

Year of Completion
2020

GLA
6.9k sqm

Layout
GF

Access
Private and public transport

Green Certification
Under review

KEY INVESTMENT HIGHLIGHTS

Ownership
100%

Occupancy
100%

Acquisition Price
€4.6m

100% Occupancy Yield(*)
8.6%

* 100% Occupancy Yield based on acquisition data, divided by acquisition price.

PROPERTY OVERVIEW

Location
Arad/Romania

Type
Logistics

Year of Completion
2012/2020

GLA
20.1k sqm

Layout
GF

Access
Private and public transport

Green Certification
Under review

KEY INVESTMENT HIGHLIGHTS

Ownership
100%

Occupancy
100%

Acquisition Price
€13.3m

100% Occupancy Yield(*)
8.5%

* 100% Occupancy Yield based on acquisition data, divided by acquisition price.

OPERATING BEST-IN-CLASS REAL ESTATE SPACE

We own and manage high-quality standing properties in 12 major real estate sub-markets in Poland and Romania and we offer to our investors an efficient gateway to the two largest markets in Central and Eastern Europe.

In 2021, we added two high-quality logistic/light-industrial facilities in regional Romania and a new class “A” office in Bucharest to our standing portfolio, with Supersam our mixed-use property in Katowice (Poland) being reclassified as it is going through partial refurbishment/repositioning.

Globalworth Combined Portfolio: Key Metrics

Total Standing Properties	31 Dec. 2019	31 Dec. 2020	31 Dec. 2021
Number of Investments	37	37	39
Number of Assets	61	64	66
GLA (k sqm)	1,213.7	1,271.3	1,302.3
GAV (€ m)	2,844.7	2,805.5	2,866.3
Contracted Rent (€ m)	184.4	178.7	175.4

Of which Commercial Properties	31 Dec. 2019	31 Dec. 2020	31 Dec. 2021
Number of Investments	36	36	38
Number of Assets	60	63	65
GLA (k sqm)	1,180.1	1,238.9	1,272.0
GAV (€ m)	2,783.1	2,745.9	2,810.3
Occupancy (%)	94.7% (95.0%*)	90.9% (91.7%*)	88.5% (88.7%*)
Contracted Rent (€ m)	183.3	177.7	174.5
Potential rent at 100% occupancy (€ m)	195.9	199.2	201.2
WALL (years)	4.5	4.5	4.7

(*) Including tenant options.

The total gross leasable area of our combined standing commercial portfolio increased by 33.0k sqm or 2.7% in 2021 to reach 1,272.0k sqm, with the overall combined standing portfolio GLA increasing 2.4% to 1,302.3k sqm.

This net increase was mainly attributed to the addition of three new properties in our portfolio in Romania with a total of 56.2k sqm of GLA, which was partially offset by the reclassification of the Supersam mixed-use property to development, the remeasurement of certain spaces in our properties, and the sale of 19 units in our Upground residential complex.

Globalworth Combined Standing Portfolio: 2021 GLA Evolution

Total Standing YE 20220	1,271.3k sqm
of which Standing Commercial YE 2020	1,238.9k sqm
GW Square/class “A” office in Bucharest (RO) development completed	+29.2k sqm
IPW Arad/logistics facility in Arad (RO) standing facility acquired	+20.1k sqm
IPW Oradea/logistics facility in Oradea (RO) standing facility acquired	+6.9k sqm
Supersam/mixed-use property in Katowice (PL) reclassified to development	(24.3)k sqm
Net remeasurement adjustments & other (RO & PL)	+1.1k sqm
Standing Commercial YE 2021	1,272.0k sqm
Upground residential in Bucharest (RO)(*)	+30.3k sqm
Total Standing YE 2021	1,302.3k sqm

The appraised value of our combined standing portfolio as at 31 Dec 2021 was €2.9 billion, with the overall increase mainly attributed to the addition of new properties, through acquisition and completion. Value of like-for-like properties remained effectively unchanged, 0.6% higher at year-end 2021 compared to same period in 2020, while the reclassification of Supersam in Katowice to developments and sales of units in the Upground complex decreased our standing portfolio value by €53.0 million (additional information can be found in the “Asset Management Review”).

Overall, our combined portfolio of high-quality standing properties at the end of 2021, comprised 39 standing investments (37 at 31 December 2020) with 66 buildings (64 at 31 December 2020).

We own 30 class “A” office investments (with 50 properties in total) and a mixed-use investment (with five properties in total) in central locations in Bucharest (Romania), Warsaw (Poland) and five of the largest office markets/cities of Poland (Krakow, Wroclaw, Katowice, Gdansk and Lodz).

In addition, we fully own in Romania two logistic/light-industrial parks with five facilities in Timisoara and three modern warehouses in Pitesti, Arad and Oradea, and have a 50% ownership through Joint Venture in two other industrial parks (with two standing facilities) in Bucharest and Constanta. We also own part of a residential complex in Bucharest.

Globalworth Combined Standing Portfolio: 2021 Evolution

GAV – 31 December 2020	€2,805.5m
Like for Like Change(*)	+€17.7m
Acquisitions of Properties	+€21.8m
Delivery of Properties	+€74.4m
Reclassification of Properties	€(48.4)m
Sales (& Other Adjustments)(**)	€(4.6)m
GAV – 31 December 2021	€2,866.3m

(*) Like-for-Like change represents the changes in GAV of standing properties owned by the Group at 31 December 2020 and 31 December 2021.

(**) Includes GAV adjustments (redevelopment capex, reclassification).

Standing Properties Operation, Renovation and Upgrade Programme

Offering best-in-class real estate space to our business partners is a key component of our strategy at Globalworth.

We believe that through a “hands-on” approach with continuous active management and investment in our portfolio we can preserve and enhance the value of our properties, generate long-term income, as well as offering best-in-class real estate space to our business partners.

Over the past few years, real estate has been gradually moving away from “static” bricks and mortar buildings to more vibrant environments where people and businesses can flourish, and as such the ability to quickly adapt to trends and customise spaces is becoming an increasingly important factor for success, which has been accelerated by COVID-19 pandemic and the shifting format towards a more flexible/hybrid-ecosystem with less desk space and more collaborative areas.

In order to be able to provide spaces for our current and future business partners requirements, we continue to internalise the asset management of our portfolio, keep (re)investing in our properties, maintain and, where required, improve the quality of our buildings and of our services.

We are pleased that all our properties in Poland are now internally managed by the Group, with the latest addition being the Green Horizon class “A” office in Lodz, and in Romania, almost all our offices (with the exception of one) are internally managed. Overall, we internally manage 962.6k sqm of high-quality office and mixed-use space in Poland and Romania with an appraised value of €2.5 billion. Of our total standing commercial portfolio, our internally managed properties account for 90.6% by value (96.8% of office and mixed-use standing properties) as at 31 December 2021.

Properties Under Refurbishment / Repositioning

	Renoma	Supersam
Location	Wroclaw	Katowice
Status	Refurbishment / Repositioning	Refurbishment / Repositioning
Expected Delivery	H1-2023	H2-2022
GLA – on Completion (k sqm)	48.8	26.2
CAPEX to 31 Dec 21 (€ m)	6.8	0.6
GAV (€ m)	109.3	46.7
Estimated CAPEX to Go (€ m)*	17.8	5.0
ERV (€ m)	9.4	4.2
Estimated Yield on Completion of Project**	9.1%	10.6%

* Estimated CAPEX to Go partially excludes tenant contributions which are subject to tenant negotiation and may impact the final yield on Completion of the Project.

** Estimated Rental Value increase versus current Contracted rent + ERV on vacant spaces divided by total Development Capex.

Our Renovation and Upgrade Programme was significantly scaled back in 2020 due to COVID-19, but in 2021 gradually returned to a more normalised state and is expected to further intensify in the short-medium term as we aim to maintain and further improve the quality of our properties.

Overall, in 2021, €24.0 million were invested in our standing portfolio and the two mixed-use properties which are under refurbishment/ repositioning. As a result of our ongoing in-house initiatives and properties additions, 47 of our standing commercial properties, accounting for 71.8% by GLA and 74.3% by commercial portfolio value, were delivered or significantly refurbished in or after 2014.

In 2021 we commenced the refurbishment/repositioning project of two of our mixed-use properties in Poland.

- Renoma (Wroclaw): works in this landmark property involve the conversion of certain retail/commercial spaces to class “A” office, as well as the reallocation of certain commercial uses within the property. Works are in progress and expected to be completed by the end of H1-2023.
- Supersam (Katowice): works will be focusing on the redevelopment of the entire first level from commercial/retail space to class “A” office and reconfiguring part of the first underground level to high-quality retail & commercial spaces (food court and entertainment). Works are estimated to cost €5.6 million and are expected to be completed in H2-2022.

Finally, we are pleased that tenant fitout works have not been affected during this period, as well that both properties have maintained their green certification status.

/ FOCUSED ON DEVELOPMENT AND REPOSITIONING OF HIGH-QUALITY PROPERTIES WHILE ADAPTING TO MARKET CONDITIONS



Dimitris Pergamalis
Group Head Globalworth Workplaces

Developing high-quality properties in which businesses can grow has been a key feature in the evolution of Globalworth. Since our inception, we have delivered 386.0k sqm of high-quality office and logistics / light-industrial spaces in Romania (95%) and Poland. It is our firm belief that offering such spaces allows us to meet current and future tenant needs and achieve higher risk-adjusted returns on our capital deployed.

Although the COVID-19 pandemic has made us reprioritise our pipeline focusing on properties with lower risk-adjusted profile, such as projects with significant pre-lets or high tenant interest which are developed in phases, or at advanced levels of construction, our development programme has remained very active with 9 properties offering 191.2k sqm developed (completed or in progress) in the period.

The depth of our existing income-producing properties and strong balance sheet allows us to simultaneously engage on several different projects. It gives us optionality over which schemes to progress and their timing.

In 2021 we delivered a class “A” office with 29.2k sqm in Bucharest, increasing our total high-quality GLA developed by the Group to 386.0k sqm since 2013. In addition, we made progress in several other industrial projects, which are at various stages of development across Romania.

Overall, during the year, we invested €46.4 million in our development projects and have €17.3 million for the completion of the properties under construction at the end of 2021.

DEVELOPMENTS OVERVIEW

Developments completed in 2021

Globalworth Square - 3rd BREEAM Outstanding score, worldwide

Total GLA added to our portfolio

29.2k sqm

2021 construction and development expenditure

€46.4m

5 high-quality logistic / light-industrial facilities under construction.

98.9k sqm

SELECTED DEVELOPMENT PROJECTS 2015-2020

2015	April	TIP – Continental	
		Industrial / 44.8k sqm	
	September	TIP – Honeywell	
		Industrial / 9.1k sqm	
2016	September	Globalworth Tower	
		Office / 54.7k sqm	
	March	Gara Herastrau	
		Office / 12.0k sqm	
2017	September	TIP – Valeo (extension)	
		Industrial / 14.0k sqm	
		Globalworth Campus A	
		Office / 29.0k sqm	
	October	TIP – Litens	
		Industrial / 8.1k sqm	
2018	April	Globalworth Campus B	
		Office / 28.2k sqm	
	December	Renault Bucharest Connected	
		Office / 42.3k sqm	
2019	April	TIP II – Phase A	
		Industrial / 17.8k sqm	
2020	January	Globalworth Campus C	
		Office / 33.6k sqm	
	July	Constanta Business Park – Phase A	
		Industrial / 21.1k sqm	
	September	Podium Park II	
		Office / 18.8k sqm	
		Chitila Logistics Hub - Phase A	
		Industrial / 23.3k sqm	



CASE STUDY – GLOBALWORTH SQUARE

Class “A” Office in the New CBD of Bucharest

In June 2021, we delivered the Globalworth Square development in the New CBD of Bucharest. This class “A” office features several new technologies that target lowering energy/occupational costs and improving efficiencies in the property.

It is located between our own Globalworth Plaza and Green Court B class “A” offices, extending over 15 floors above ground and three underground levels, offering 29.2k sqm of high-quality GLA and 451 parking spaces.

Green Certification: Globalworth Square, at year-end, was under the green certification process, which it successfully received in Q1-2022, becoming our first BREEAM Outstanding green property in Romania. With 99% scoring, the building was ranked in the 3rd place worldwide.

Tenants: As of 31 December 2021, the property was 63.8% leased to seven tenants, including Wipro, a leading multinational company delivering innovation-led strategy, technology and business consulting services.

Furthermore, to allow for the highest level of “customisation” of the available spaces for future tenants in the property, the available spaces have remained in a core and shell design.

PROPERTY OVERVIEW

Location Bucharest New CBD	Layout 14+ Tech Floor
Type Class “A” Office	Typical Floor Plate 2,130k
GLA 29.2k sqm	Access Metro, tram and bus
Parking Units 451	Green Accreditation BREEAM Outstanding (achieved in January 2022)

KEY INVESTMENT HIGHLIGHTS

Ownership 100%	Occupancy 63.8%
Passing Rent €4.4m	Potential Rent at 100% Occupancy €5.6m
Estimated Yield on Development Cost 9.8%	

OBTAINED BREEAM
OUTSTANDING
ACCREDITATION, WITH
99% SCORING, PLACING
THE BUILDING ON THE
3RD PLACE WORLDWIDE.

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KEY FEATURES

Square Floor Plate

2.1k sqm floor plate allowing for the optimum shape according to the BREEAM certification methodology.

Energy Efficient Façade

Designed to build a more sustainable and low energy building using semi-structure high thermo-insulation aluminium system, allowed also for easy maintenance and durability.

Ventilation System

Ventilation through high-efficiency systems for heat recovery and fan coils units with EC motors, equipped with built-in humidification and UV light innovative air disinfection. Recovery of sensitive energy and high-efficiency latency leads to a 25% reduction of the building’s thermal energy consumption.

Geothermal System

Under the slab foundation is used to considerably reduce cooling and heating costs by covering 45% of the building’s energy consumption.

Photovoltaic Roof

With solar photovoltaic panels converting solar energy to (partially) cover the building’s requirements with green electricity. 329 photovoltaic panels of 445 Wp each provide a total of 146 kWp.

Ice Storage System

Limiting the building consumption at peak hours and lowering the cost of cooling by optimising the energy production process.

EV Charging

15 EV charging stations aiming at reducing CO₂ emissions. Three fast-charge 22 kW stations and 12 charging stations of 7 kW.

BMS

Centralised BMS for efficient and effective operation and monitoring of the building’s mechanical and electrical equipment.

Touchless Technology

Used in main common areas through IR devices, while access to the building and office spaces is available through Bluetooth and NFC technologies.

DEVELOPMENTS UNDER CONSTRUCTION AND FUTURE DEVELOPMENTS

Review of Current and Future Developments

In 2021, in addition to Globalworth Square, we started the development of new logistic / light-industrial facilities in 4 locations in Romania.

At the end of the year, we had five such high-quality facilities under construction, all representing subsequent phases of development in existing projects. These facilities we own directly or through JV partnerships, and together, on completion, are expected to further increase our footprint by 98.9k sqm of high-quality GLA and provide an average yield on development of 8.7%.

In addition, we hold interests on other land plots in prime locations in Bucharest, regional cities in Romania and Poland, covering a total land surface of 1.2 million sqm (comprising 2.7% of the Group's combined GAV), for future developments of office, industrial or mixed-use properties. When fully developed, these land plots have the potential to add in total a further 776.8k sqm of high-quality GLA to our standing portfolio footprint.

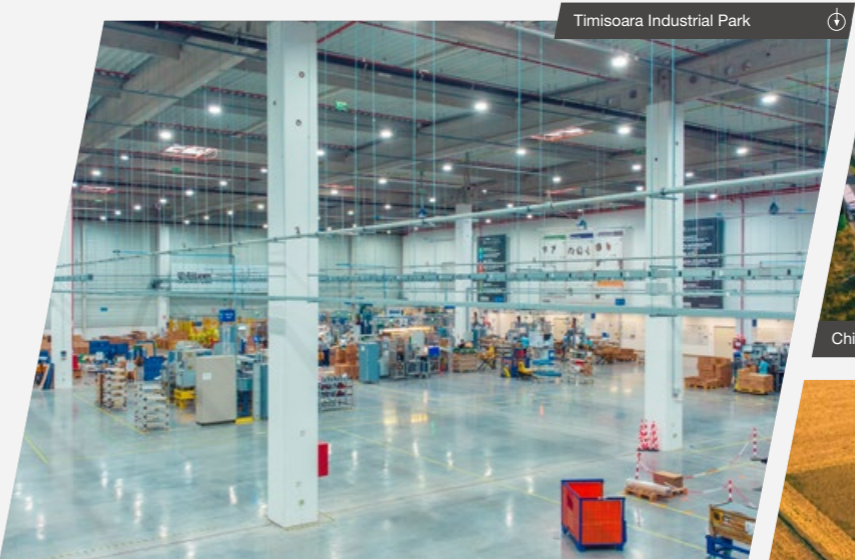
These projects, which are classified for "Future Development", continue to be reviewed by the Group, albeit periodically, with the pace at which they will be developed being subject to tenant demand and general market conditions.

Right of First Offer

Globalworth has invested in Warsaw's two-phase My Place (formerly Beethovena) project.

The Group continues to own a 25% economic stake in the second phase of the project, with the right to acquire the remaining interests once certain conditions have been satisfied.

My Place II (formerly: Beethovena II) is the second phase of Class "A" office project in the South of Warsaw comprising two four-floor offices, offering 17.2k sqm of GLA. The property was delivered in Q4-2020 and is 60% leased to tenants such as Ars Thanea and Networks.



DEVELOPMENTS – UNDER CONSTRUCTION

	Timisoara Industrial Park II (Phase B)	Chitila Logistics Hub (Phases B and C)*	Pitesti Industrial Park Phase B	Constanta Business Park (Phase B)*
Location	Timisoara	Bucharest	Pitesti	Constanta
Status	Under construction	Under construction	Under construction	Under construction
Expected Delivery	2022	2022	2022	2022
GLA (k sqm)	19.0	54.1	6.7	19.0
CAPEX to 31 Dec 21 (€ m)	6.8	18.9	5.1	6.2
GAV (€ m)	7.7	17.2	5.7	7.0
Estimated CAPEX to Go (€ m)**	1.5	11.7	0.9	3.2
ERV (€ m)	0.8	2.5	0.6	0.8
Estimated Yield on Development Cost	9.7%	8.2%	9.5%	9.0%

(*) 50:50 Joint Venture; figures shown on 100% basis.

FUTURE DEVELOPMENTS

Podium Park III	Globalworth West	Constanta Business Park (Phased)*	Timisoara Industrial Park I & II (Phased)	Luterana	Green Court D
Krakow	Bucharest	Constanta	Timisoara	Bucharest	Bucharest
Constr. Postponed	Constr. Postponed	Planned	Planned	Planned	Planned
17.7	33.4	526.2	156.8	26.4	16.2
8.5	5.2	11.5	6.4	7.4	2.5
9.6	7.9	35.6	10.4	14.3	6.3
29.7	38.5	243.6	63.5	39.7	23.9
3.1	5.1	27.8	6.5	5.8	3.0
8.1%	11.5%	10.9%	9.2%	12.3%	11.4%

(**) Initial preliminary development budgets on future projects to be revised prior to the permitting.

CASE STUDY – RENOMA REPOSITIONING

Renoma is a landmark property strategically located at the entrance of the historical center of Wrocław. It first opened its doors to the public in 1930 and since then has become a reference point for the city.


Its unique architecture and impressive façade with portrait sculptures of faces of people from different continents resulted in the property entering the historic monument registry in 1977 as a flagship example of European modernism.

Renoma was last renovated in 2009, and in 2020 we embarked on an extensive refurbishment and reconfiguring of a large part of its indoor areas aiming at increasing the overall leasable area in the property and its class “A” office space, while improving its commercial mix offering.

We expect works to be completed in 2023, with the total investment at €25 million.

WE BELIEVE THAT ON DELIVERY, RENOMA WILL OFFER A COMBINATION OF HIGH-QUALITY OFFICE, RETAIL AND RESTAURANT EXPERIENCE IN HISTORICAL PREMISES THAT WILL BE HIGHLY APPEALING TO TENANTS AND VISITORS.


ADDITIONAL AMENITIES

- 


Free Wi-Fi in common areas
- 

Baby changing room
- 

Healthcare centre
- 

Fitness club
- 

Premium Boutiques
- 

Supermarket
- 

Monitored bicycle parking
- 

Large car park with c.500 bays
- 

Electric vehicles charging station

Our refurbishment will increase the offer of Class “A” office space on the higher-floors. It will also reposition Renoma’s retail offer towards strong food and selected fashion mix to be located on the ground floor and convenience facilities including supermarket, gym and drugstore located on -1 level.

Total GLA
48.4k sqm
16% increase

Office GLA
32.0k sqm
+3x increase

Retail GLA
14.5k sqm
50% reduction

Indoor parking
c.500 spaces

Bicycle parking
c.100 spaces

THE PROGRAMME OF WORKS WE ARE UNDERTAKING DOES NOT IMPACT RENOMA’S BREEAM EXCELLENT CERTIFICATION STATUS.

CASE STUDY – SUPERSAM REPOSITIONING

Supersam is a centrally located high-quality mixed-use property in Katowice. It opened in the 1930s, quickly becoming one of the most significant points on the commercial map of the city. It has been operating in its current format since the end of 2015, hosting nearly 100 stores and service units and offices on c.24.3k sqm of GLA.

The property benefits from its central location, local character, convenient commercial offer and excellent connections to other parts of the city, as it is near a train station and the Spodek venue, one of the hallmarks of Katowice and Silesia.


In the second half of 2021, responding to market trends and to enhance Supersam’s long-term value, we initiated its refurbishment/repositioning, which will:

- redevelop the entire first level into office space;
- reconfigure select retail units/areas on the lower level into high-quality retail & commercial spaces with food and entertainment; and
- increase overall the overall GLA by 7.7% to 26.2k sqm.


We expect works to be completed in 2022, with the total investment at €5.6 million.

WE BELIEVE THAT ON DELIVERY, SUPERSAM, THROUGH ITS UPDATED CONFIGURATION AND LEVERAGING FROM ITS LOCATION, BEING IN A TRADITIONALLY COMMERCIAL PART OF TOWN AND CLOSE TO ONE OF THE MAIN HIGH STREETS, WILL INCREASE ITS COMMERCIAL FOOTFALL AND OFFICE DEMAND.


ADDITIONAL AMENITIES




Free Wi-Fi in common areas




Baby changing room




Healthcare centre




Fitness club




Premium Boutiques




Supermarket



Monitored bicycle parking



Large car park with c.500 bays



Electric vehicles charging station

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Our refurbishment programme is redeveloping the entire level 1 into an office function. On level -1, we are repositioning selected retail modules into high-quality retail & commercial spaces with food and entertainment.

Total GLA

26.2k sqm

8% increase

Office GLA

13.4k sqm

+2x increase

Retail GLA

11.8k sqm

30% reduction

Storage GLA

1.0k sqm

SUPERSAM MAINTAINED ITS BREEAM EXCELLENT ACCREDITATION FOLLOWING ITS RECERTIFICATION IN 2021

ACTIVELY MANAGING OUR PORTFOLIO & MINIMISING THE IMPACT OF COVID-19

Leasing Review

We are present in six of the seven largest office markets in Poland, the largest office market and in some of the most attractive logistic/light-industrial hubs of Romania.

Our office markets provide corporations with the necessary infrastructure for them to operate and offer people interesting opportunities for them to grow professionally and personally, while our logistic/light-industrial properties benefit from locations that are easily accessible, on or next to major road arteries, connecting our facilities to major hubs in Romania and abroad.

The COVID-19 pandemic has created uncertainty impacting the Polish and Romanian economies, as well as the way we live and work, however, modern, high-quality, and easily accessible office spaces continue to have a competitive advantage in the market.

Corporates have used remote working more extensively over the past 18-24 months, however, we expect them to adopt a more balanced approach in the future, as well as to seek to occupy spaces through a mix of fixed and flexible and short-term leases, enabling them to operate more efficiently and react quicker to market changes, thus increasing their potential to stay in business and achieve sustainable growth.

As such, we firmly believe that the need for safe and healthy environments to work in, tailored leasing solutions to tenants, allowing them more occupational flexibility, provided in modern properties which are easily and centrally located within their respective sub-markets, will continue to be in demand from corporate tenants in the future.

New Leases

Our primary focus in 2021 was to maintain and gradually improve our portfolio's occupancy. Following 2020, a record year in leasing dominated with lease prolongations. This year was more even with lease prolongations, and new take-up accounting for 54% (74% in 2020) and 46% (26% in 2020) of the total area leased, respectively.

Summary Leasing Activity for Combined Portfolio in 2021

	GLA (k sqm)	No. of Tenants*	WALL (yrs)
New Leases (incl. expansion)	131.7	131	5.8
Renewals/Extensions	153.8	121	3.8
Total	285.5	232	4.6

* Number of individual tenants.

Occupancy

The average occupancy of our combined standing commercial portfolio as of 31 December 2021 was 88.5% (88.7% including tenant options), representing a 2.3% decrease over the past 12 months (90.9% as of 31 December 2020 / 91.7% including tenant options).

Our annual like-for-like occupancy rate in 60 (of our 61) standing properties, following the reclassification of our Supersam mixed-used property in Poland to a property under refurbishment/redevelopment, has remained effectively constant at 90.8% at year-end 2021 (91.0% at 31 December 2020). Standing occupancy increases to 91.0% with the two fully let industrial facilities acquired this year.

The increased level of new take-up was due to several development projects being delivered over the past 18 months or in progress, which are in their lease-up phase and our ongoing effort to improve the net take-up in our portfolio.

However, the theme observed since the COVID-19 pandemic outbreak, with signing of new leases, typically for large multinational and national corporates, is taking longer in the current market environment of higher uncertainty, as existing and potential tenants continue to re-assess their future occupational plans.

Overall, in 2021, we successfully negotiated the take-up or extension of 285.5k sqm of commercial spaces in Poland (60.0% of transacted GLA) and Romania (40.0% of transacted GLA), with an average WALL of 4.6 years. More importantly office leases accounted for 214.6k sqm of our total leasing activity, representing our best to date.

Leases were renewed for a total of 153.8k sqm of GLA with 121 of our tenants, at a WALL of 3.8 years, with the most notable extensions involving Infosys (25.5k sqm) in Green Horizon, Rockwell (12.9k sqm renewal plus 6.7k sqm expansion) in A4 Business Park, Intel (9.8k sqm) in Tryton, Baxter (8.0k sqm) in Nordic Park and EY (6.0k sqm) in TCI, while 78.2% of the renewals by GLA signed were for leases expiring in 2022 or later.

We signed our new leases with 89 tenants for 105.8k sqm of GLA at a WALL of 6.0 years. The majority were in properties delivered by the Group over the past 18 months or currently under construction, accounting for 61.8% of new GLA signed. New leases for office and retail/commercial spaces were 55.9% of the total spaces signed, with the remainder involving logistic/light-industrial and storage spaces.

The largest new leases in this period were with HAVI Logistics, for a total of 20.6k sqm in two logistic/light-industrial facilities in Bucharest, Heineken (8.6k sqm) in Podium Park I in Krakow, Caroli Foods (6.7k sqm) in Pitesti, and Wipro (6.1k sqm plus 4.7k sqm expansion) in the newly 2021 delivered Globalworth Square. In addition, in 2021 we signed 25.9k sqm of expansions with 50 tenants, at an average WALL of 5.4 years.

However, two sizable offices with average occupancy of 41.8% have negatively affected our overall standing occupancy. The Globalworth Square (occupancy rate: 63.8%) in Bucharest, which was delivered in June this year and is in the lease-up phase, and Warta Tower (occupancy rate: 22.7%) in Warsaw where its principal tenant relocated from its premises in December and we are currently contemplating alternative (sale and other) options.

We are encouraged by our annual leasing performance and resulting occupancy of our combined standing portfolio when considering the challenging market conditions. We remain confident that we will be able to lease the available spaces in our portfolio in the future as business conditions return to a more normalised state.

Across our combined portfolio, at the end of 2021, we had 1,194k sqm of commercial GLA leased to approximately 660 tenants, at an average WALL of 4.7 years. National and multinational corporates, well-known within their respective markets, occupy the majority of the leased spaces in our properties.

Appropriately 94.3% of the spaces leased are in standing properties. In addition, we have 7 properties, like Renoma and Supersam in Poland, which are undergoing a partial refurbishment/repositioning or are at the final stages of construction like TIP II (Phase B), PIP (Phase B), Chitila Logistics Hub (Phases B and C) and Constanta Business Park (Phase B) which are let or pre-let. As of 31 December 2021, these properties had an average occupancy rate of 41.5%.

Occupancy Evolution 2021 (GLA 'k sqm) – Commercial Portfolio

	Poland	Occupancy Rate (%)	Romania	Occupancy Rate (%)	Group	Occupancy Rate (%)
Standing Available GLA - 31 Dec. 20	566.2		672.7		1,238.9	
Acquired GLA	-		27.0		27.0	
New Built GLA	-		29.2		29.2	
Remeasurements, reclassifications*	(24.1)		1.0		(23.2)	
Standing Available GLA - 31 Dec. 21	542.1		729.9		1,272.0	
Occupied Standing GLA - 31 Dec. 20	506.4	89.4%	619.2	92.0%	1,125.6	90.9%
Acquired/Developed Occupied GLA	-		45.6		45.6	
Expiries & Breaks	(62.9)		(45.4)		(108.3)	
Renewals**	118.0		27.9		145.9	
New Take-up	41.4		42.7		84.1	
Other Adj.*** (relocations, remeasurements, etc)	(20.8)		(0.0)		(20.8)	
Occupied Standing GLA - 31 Dec. 21	464.1	85.6%	662.1	90.7%	1,126.2	88.5%

* Includes the reclassification of Supersam mixed-use property (Katowice) from standing to under refurbishment (24.3k sqm of GLA).
** Renewals are neutral to the occupancy calculation.
*** Includes the reclassification of occupied GLA in Supersam from standing to under refurbishment (22.6k sqm of occupied GLA). Other lease expirations, renewals, or new take-up in relation to Supersam are excluded from the table.

Rental Levels

Headline market rental levels have remained relatively stable in our portfolio, despite the uncertainty in the market and the cautious approach of tenants, reflecting the quality of our properties, our active asset management initiatives since the outbreak of the pandemic, and our approach to sustainable development.

At the end of December 2021, our average headline rents in our standing properties for office, retail/commercial and industrial spaces were €14.0/sqm/month (€14.2 at YE-2020), €13.9/sqm/month (€14.5 at YE-2020) and €3.8/sqm/month (€3.7 at YE-2020) respectively.

Rental levels can vary significantly between type of spaces, buildings and submarkets. Leases signed in 2021 were at 1.6% lower rents than their prevailing group averages.

Our overall commercial GLA take-up during the year was at an average rent of €12.1/sqm/month (€10.9/sqm/month for FY2020). Office leases were at an average rent of €13.9/sqm/month, industrial spaces at €3.9/sqm/month, while retail spaces were at €12.7/sqm/month.

Contracted Rents (on annualised basis)

Total annualised contracted rent in our real estate portfolio marginally increased by 0.2% to €183.7 million compared to year-end 2020, due to new additions and leases signed on properties under refurbishment/repositioning or development.

Total annualised contracted rents in our standing commercial portfolio were €174.5 million on 31 December 2021, lower by 1.8% compared to the same period last year. Total rental income increases to €175.4 million when including the income from renting 183 residential units and other auxiliary spaces in Upground, the residential complex in Bucharest, which we partially own.

Like-for-like annualised commercial contracted rents in our standing commercial portfolio decreased by 3.3% to €168.5 million at the end of 2021 compared to 31 December 2020, as the increase in rents (0.5% on average) due to indexation was outweighed primarily by the lower occupancy in Warta Tower. Excluding Warta Tower, the adjusted like-for-like annualised commercial contracted rents were marginally lower by 0.7% at €167.3 million.

Annualised Contracted Rent Evolution 2021 (€m)

	Poland	Romania	Group
Rent from Standing Commercial Properties (“SCP”) 31 Dec 2020	97.0	80.7	177.7
Less: Properties reclassified(*)	(3.4)	–	(3.4)
Rent from SCP Adj. for Properties Reclassified 31 Dec 2020	93.6	80.7	174.3
Less: Space Returned	(12.8)	(4.4)	(17.2)
Plus: Rent Indexation	0.3	0.5	0.8
Plus/Less: Lease Renewals (net impact) & Other	(0.7)	(0.3)	(1.0)
Plus: New Take-up	7.6	4.0	11.6
Total L-f-L Rent from SCP 31 Dec 2021	87.9	80.6	168.5
Plus: Standing Commercial Properties Acquired During the Period	–	1.5	1.5
Plus: Developments Completed During the Period	–	4.4	4.4
Total Rent from Standing Commercial Properties	87.9	86.6	174.5
Plus: Residential Rent	–	0.9	0.9
Total Rent from Standing Properties	87.9	87.5	175.4
Plus: Active and Pre-lets of Space on Projects Under Development/Refurbishment	6.8	1.5	8.3
Total Contracted Rent as at 31 Dec 2021	94.7	89.0	183.7

* Supersam mixed-use asset (Katowice) was reclassified under redevelopment in 2021

Combined Annualised Commercial Portfolio Contracted Rent Profile as at 31 December 2021

	Poland	Romania	Group
Contracted Rent (€ m)	94.7	88.0	182.8
Multinational	72.6%	88.6%	80.3%
National	25.8%	10.1%	18.3%
State Owned	1.6%	1.2%	1.4%

Note: Commercial Contracted Rent excludes c.€0.9 million from residential spaces as at 31 Dec 2021

Annualised Contracted Rent by Period of Commencement Date as at 31 December 2021 (€m)

	Active Leases	H1-2022	H2-2022	H1-2023	H2-2023	>2024	Total
Standing Properties	169.0	6.0	0.2	0.3	–	–	175.4
Developments	7.4	0.9	–	–	–	–	8.3
Total	176.4	6.9	0.2	0.3	–	–	183.7

Annualised Commercial Portfolio Lease Expiration Profile as at 31 December 2021 (€m)

Year	2022	2023	2024	2025	2026	≥2027	Total
Total	18.8	16.1	30.3	17.4	20.7	79.3	182.8
% of total	10.3%	8.8%	16.6%	9.5%	11.3%	43.4%	100%

Our rent roll across our combined portfolio is well diversified, with the largest tenant accounting for 5.1% of contracted rents, while the top three tenants account for 10.7% and the top 10 account for 26.2%.

Cost of Renting Spaces

The headline (base) rent presents the reference point, typically communicated in the real estate market when a new lease is signed. However, renting spaces typically involves certain costs, such as rent-free periods, fitouts for the space leased, and brokerage fees, which the landlord incurs. These incentives can vary significantly between leases and depend on market conditions, type of lease (new take-up or lease extension), space leased (office, other commercial, etc.), contract duration, and other factors.

In calculating our effective rent, we account for the costs incurred over the lease’s lifetime, which we deduct from the headline (base) rent, thus allowing us to assess the profitability of a rental agreement.

Overall, in 2021, we successfully negotiated the take-up (including expansions) or extension of 285.5k sqm of commercial spaces in our portfolio. The overall weighted average effective rent for these new leases was €12.1/sqm/month, signed at an average lease term of 4.6 years. Industrial leases completed in the period, which accounted for 16.1% of the total leasing activity, were agreed at an average of €3.9/sqm/month, thus decreasing the average headline and effective rent achieved.

Weighted Average Effective Rent (€/sqm/m) – 2021

	Poland	Romania	Group
Headline Commercial Rent	13.7	9.7	12.1
Less: Rent Free Concessions	(2.7)	(0.9)	(2.0)
Less: Tenant Fitouts	(1.4)	(0.7)	(1.1)
Less: Broker Fees	(0.4)	(0.3)	(0.4)
Effective Commercial Rent	9.1	7.7	8.5
WALL (in years)	4.0	5.8	4.6

Note: Certain casting differences in subtotals/totals are due to figures presented in 1 decimal place.

The difference between headline (base) and effective rents in 2021 was on average 29.2%, a discount higher compared to the FY2020 (average of 21.0%) due to the continuing challenging market conditions and the type of leases signed.

In total, new leases signed in this year will generate a future rental income of €187.5 million, with leases from office properties accounting for 81.2% of future rental income.

Tenant Demands/Claims Review

Tenant demands/claims decreased in 2021 as the business community has been absorbing the initial shock from the COVID-19 pandemic, and restrictions imposed by the authorities that directly and/or indirectly impacted certain businesses and industries have been easing in Poland and Romania since the beginning of the year.

The majority of our portfolio comprises office premises and industrial properties or essential retail businesses (supermarkets, pharmacies, convenience stores etc.), none of which were impacted by measures taken by the authorities since the beginning of the pandemic in our countries of focus. In February 2021, restrictions on non-essential or stationary retail were significantly eased in Poland, limited only by the number of customers in stores. However, higher uncertainty remains in our markets of interest and globally.

Of our €183.7 million of total contracted rent on the last day of December, office rent accounted for 85.1% (including parking rent), with retail/commercial, industrial and other spaces accounting for 6.0%, 6.3% and 2.5%, respectively.

Overall, for the 12 months of 2021, we have estimated the value of the tenant demands/claims received at c.€3.0m million, reflecting 1.6% of our contracted annual rent, with the majority of them, mainly awarded to tenants of retail/commercial spaces in our properties which were impacted by restrictive measures/closures in the first part of the year.

Our approach towards these tenant demands/claims was to continue considering each case separately, rather than applying a horizontal or vertical approach, aiming to identify the optimal solution for our tenants and Globalworth. Some of the solutions implemented have been to award rent-free months or replace fixed rent with turnover rent for retail tenants for certain periods of tenant leases which in certain cases resulted in lease extensions.

We expect the level of claims to decrease in the future as an increasing number of people return to the office.

Collections Review

The ability to collect – cash in – contracted rents is a key determinant for the success of a real estate company.

Our rate of collections of rents invoiced and due in 2021 remained high at 99.2% (99.0% for 2020FY), due to the long-term partnerships we established with high-quality national and multinational tenants since the inception of the Group and continue to cultivate since which have helped us minimise the impact on rent collections in this period of higher economic uncertainty and ensure sustainable cash flow generation.

More specifically, considering the current market environment, rent to be collected in 2021 was classified as:

- Rent eligible for invoicing: Includes rents invoiced to tenants per the terms of their lease agreements. Such rents were either collected or subject to collection; and
- Rent impacted by measures imposed by the authorities: Such rent was to be collected based on the contractual agreements in place, however, due to measures taken by the authorities in Poland and Romania, tenants were excluded from paying, and as such, no invoices were issued by the Group.

Under normal conditions, the Group during the period would have had €154.0 million of rent be invoiced and due, however, €1.2 million was not invoiced due to measures taken by the authorities. This is a significant improvement to 2020, where c.1.8% of rent to be invoiced and due was not invoiced.

Portfolio Valuation

Our entire portfolio in Poland and Romania was revalued, by independent appraisers, three times in 2021.

- The first valuation was for the benefit of the independent committee of the Group responsible for assessing the cash offer for the entire issued and to be issued share capital of Globalworth, with effective date the 31 March 2021; and
- The second and third valuations were performed, as of 30 June and 31 December 2021, per our policy of revaluing our properties twice a year.

The valuations were performed by CBRE and Knight Frank for our properties in Poland, with Colliers and Cushman and Wakefield valuing our properties in Romania (more information is available under note 4 of the unaudited interim condensed consolidated financial statements as of and for the period ended 31 December 2021).

Our portfolio since the inception of the Group has been growing due to new additions through acquisition or development of high-quality properties in Poland and Romania, our asset management initiatives, and the performance of the real estate markets in which we operate, resulting in healthy investor interest and contracting yields, as well as healthy tenant demand leading to stable or growing rental levels and lowering tenant incentives.

Overall, our total combined portfolio value increased from €0.1 billion in 2013 to €3.0 billion in 2019, remaining effectively unchanged in 2020 as the impact of the COVID-19 pandemic was reflected at our year-end independent valuation appraisal of our properties, and marginally increasing (+3.9%) at the end December 2021 to €3.2 billion.

Portfolio growth in 2021, is mainly attributed to the acquisition of two high-quality logistic/light-industrial properties in Romania and the net positive impact from our developments (delivered, in progress or under refurbishment). The like-for-like appraised value of our standing commercial properties was €2.7 billion at the end of the period, 0.7% higher than 31 December 2020.

In valuing our properties, the key market indicators used by the four independent appraisers, although vary, considering factors such as the commercial profile of the property, its location and the country in which it is situated, have remained consistent with those of year-end 2020, with ERVs, yields and/or discount rates remaining stable with only a few exceptions, where positive adjustments were made to reflect improvements in operating performance.

It has to be noted that since 30 June 2020, independent valuations, yields and/or discount rates used by appraisers have remained stable or improved, which for the majority of our office and mixed-use properties, were 10 – 50bps wider compared to December 2019.

Combined Portfolio Value Evolution 31 December 2021 (€m)

	Poland	Romania	Group
Total Portfolio Value at 31 Dec 2020	1,610.1	1,422.8	3,032.9
Less: Properties Held in Joint Venture (*)	–	(51.2)	(51.2)
Total Investment Properties at 31 Dec 2020	1,610.1	1,371.6	2,981.7
Plus: Transactions	–	14.6	14.6
o/w New Acquisitions	–	17.9	17.9
o/w Disposals	–	(3.3)	(3.3)
Plus: Capital Expenditure	7.4	24.6	32.0
o/w Developments	7.4	24.6	32.0
o/w Standing Properties	–	–	–
o/w Future Developments	–	–	–
Plus: Net Revaluations Adjustments	(4.7)	42.0	37.3
o/w Developments	(2.9)	18.4	15.5
o/w Standing Properties	(1.8)	18.4	16.6
o/w Lands, Future Developments & Acquisitions	–	5.3	5.3
Total Investment Properties at 31 Dec 2021	1,612.8	1,452.8	3,065.6
Plus: Properties Held in Joint Venture (*)	–	86.7	86.7
o/w Capital Expenditure & Acquisitions	–	21.9	21.9
o/w Net Revaluation Adjustments	–	13.6	13.6
Total Portfolio Value at 31 Dec 2021	1,612.8	1,539.5	3,152.3

(*) Properties held through joint ventures are shown at 100%, Globalworth owns 50% stake in the respective joint ventures



CPI PROPERTY GROUP AND AROUNDTOWN CONTROL 61% OF GLOBALWORTH



Mihai Zaharia
Group Capital Markets Director &
Head of Investments Romania

In 2021 a new chapter in Globalworth’s shareholding commenced with the consortium of CPI Property Group and Aroundtown, two of the largest commercial real estate companies in Europe, taking control of the Group in July, holding 61% of the share capital.

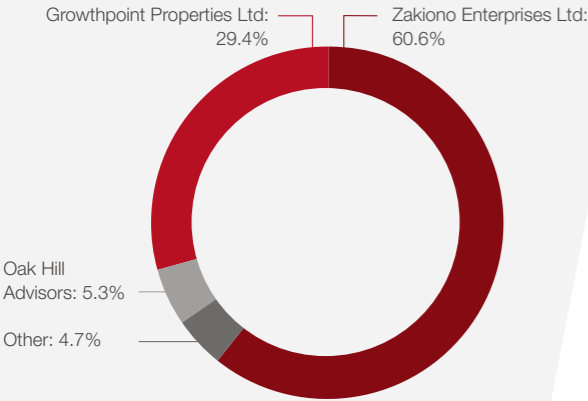
Equity Capital Markets and Shareholder Structure

2021, was marked by change of control at shareholder level. On 14 April 2021, CPI Property Group S.A. (“CPI”) and Aroundtown SA (“Aroundtown” and, together with CPI, the “CPI/AT Consortium”) announced a unilateral cash offer for the shares of Globalworth (the “Offer”) through Zakiono. The Offer was for the acquisition of Globalworth shares at €7.00/ share, with the transaction being subject to certain conditions which were either fulfilled or waived between the date of announcement and 23 July 2021, when the offer closed.

The independent committee of the Board (the “Independent Committee”) responsible for evaluating the Offer, following advice from J.P. Morgan and Panmure Gordon, considered that it undervalued the Group and recommended to shareholders not to accept it. Subsequently the Offer was accepted by holders of 9.24% of the issued share capital of Globalworth, thus resulting for the CPI/AT Consortium increasing through Zakiono their controlling share in Globalworth from 51.39% to 60.63% of the share capital following the completion of the transaction.

Globalworth’s share price has been impacted by the COVID-19 pandemic, the Offer in the first half of 2021 and the subsequent low liquidity, trading consistently below its last reported EPRA NRV of 31 December 2020 and 30 June 2021.

Globalworth Shareholding (Information as at 31 December 2021)



Share Performance – €/Share

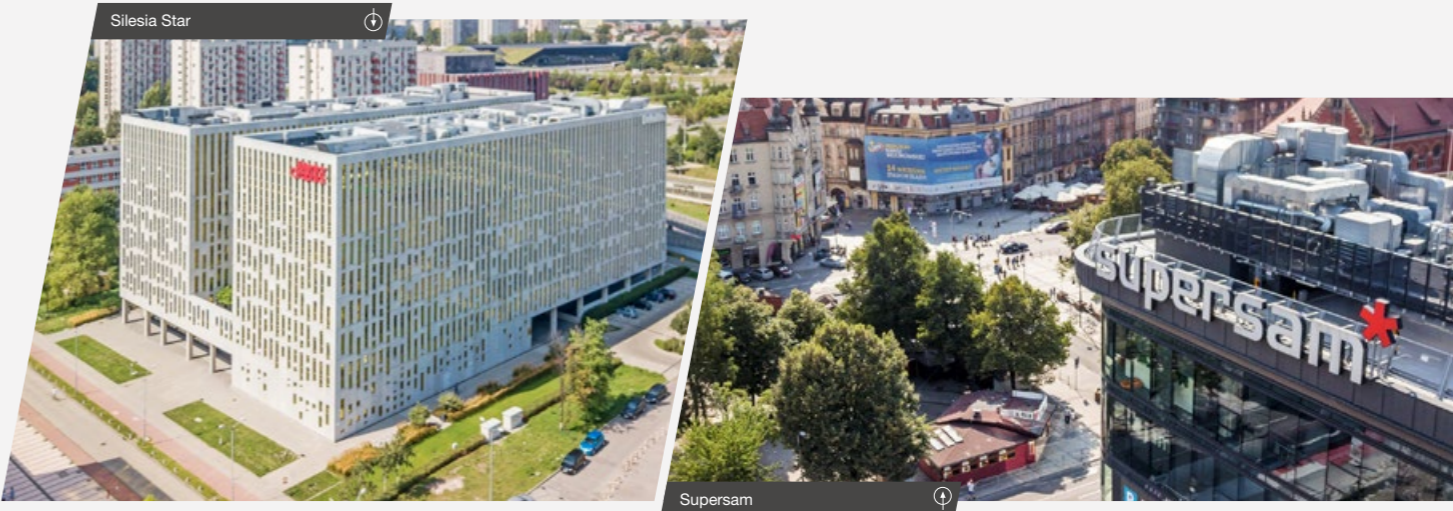
	Low	High
Pre-Offer period: 1 Jan. to 13 Apr.	5.70	7.35
Offer period: 14 Apr. to 23 Jul.	6.65	7.48
Post-Offer period: 24 Jul. to 31 Dec.	5.60	6.81

Over the 52 weeks of the year, shares had their highest closing price on 20 April at €7.48 per share and their lowest closing price on 25 August at €5.60 per share, before partially improving and closing at €5.88 per share on 31 December 2021, representing a 17% decrease since the beginning of the year. Including dividends paid, the total return for 2021 was negative 13%.

The Globalworth share price underperformed both FTSE EPRA Developed Europe and the FTSE EPRA Global indices in the 12 months of 2021.

Globalworth Shareholding

	31 Dec. 21	31 Dec. 20
CPI Property Group	Together: Zakiono Enterprises	29.5%
Aroundtown		22.0%
Growthpoint Properties		29.5%
Oak Hill Advisors		5.3%
EBRD	-	5.0%
Other	4.7%	8.7%



Basic Data on Globalworth Shares

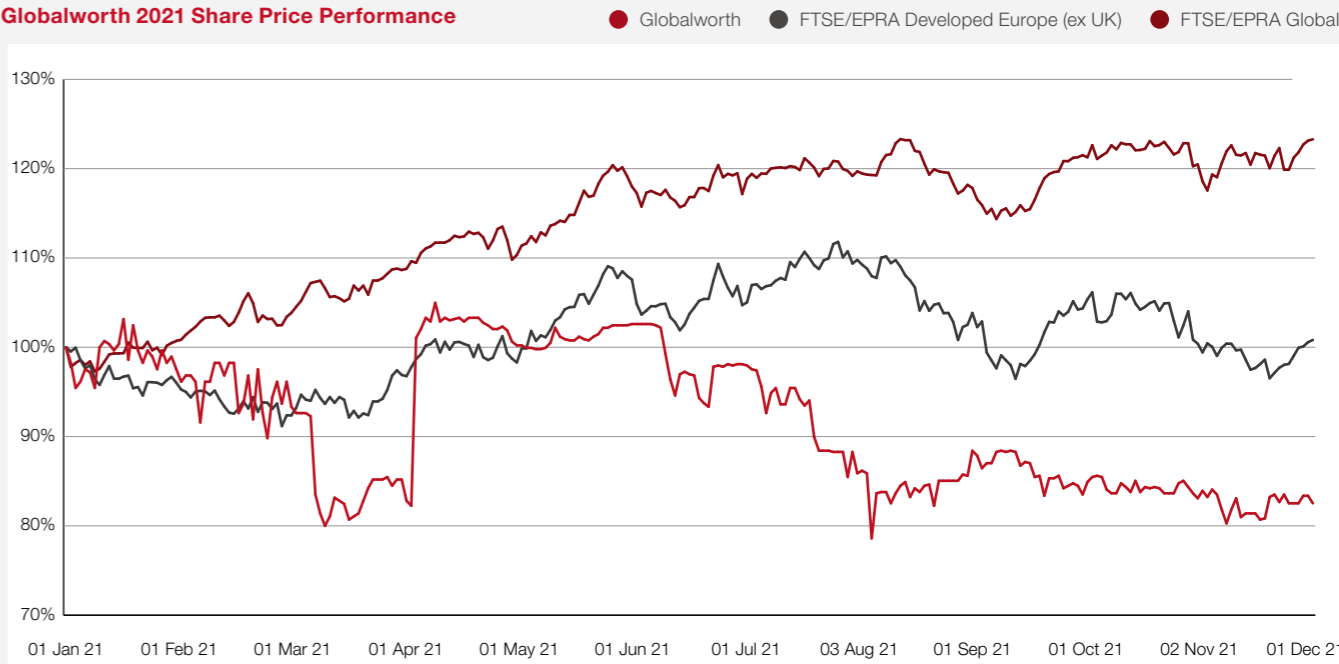
(Information as at 31 December 2021)

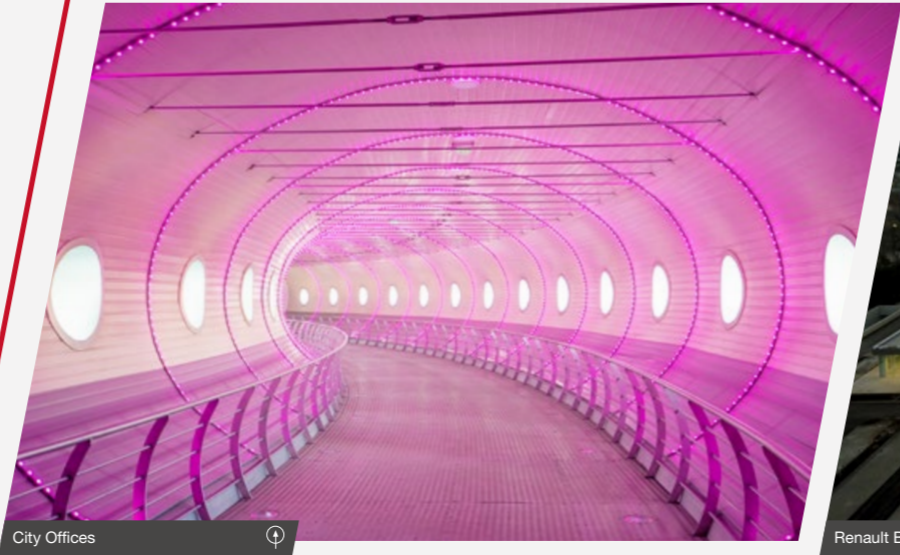
Number of Shares	221.6m plus 0.8m shares held in treasury
Share Capital	€1.7bn
WKN/ISIN	GG 00B979FD04
Symbol	GW
Free Float	9.9%
Exchange	London AIM

Globalworth Share Performance

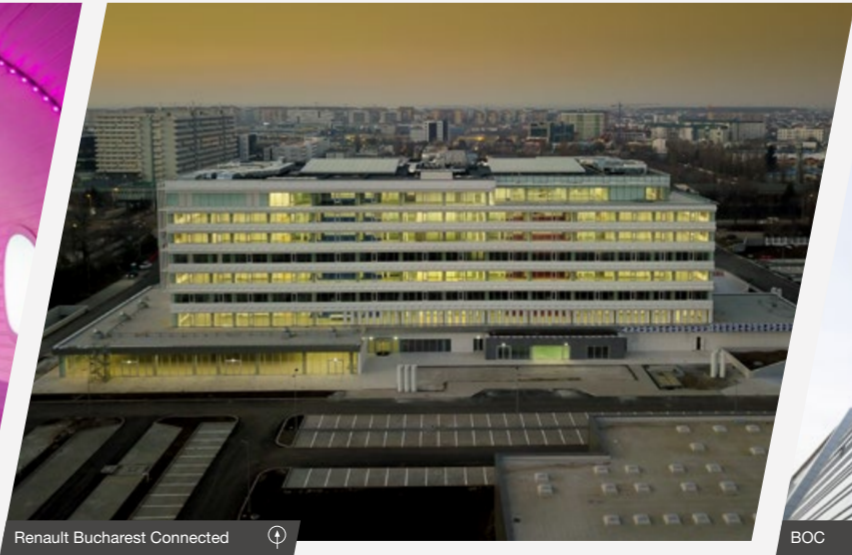
	2021	2020
Market Capitalisation (€ million) – 31 Dec	1,303	1,283
31-Dec Closing Price (€)	5.88	7.13
52-week high (€)	7.48	10.10
52-week low (€)	5.60	4.90
Dividend paid per share (€)	0.30	0.49

Globalworth 2021 Share Price Performance





City Offices



Renault Bucharest Connected



BOC

Corporate Bonds

Globalworth, at the end of 2021, had three Eurobonds outstanding for a total of €1.3 billion. The Eurobonds issued in June 2017, March 2018 and July 2020 (inaugural green bond) are expiring in 2022, 2025 and 2026, respectively, and had a weighted average maturity of 3.0 years.

These three facilities, which account for 78.0% of our total outstanding debt financing, have a weighted average cost of 2.95%, provide us with a simplified capital structure and improve the efficiency of our capital allocation.

In addition, to issue Eurobonds efficiently and quickly, potentially benefiting from favourable market opportunities, in 2018, we established a Euro Medium Term Notes (EMTN) programme allowing the Group to issue €1.5 billion of bonds. Currently, the Group has raised €950 million as part of its EMTN programme, allowing a further €550 million of bonds to be issued in the future.

Globalworth is rated from all three major agencies, with each of S&P, Fitch and Moody's maintaining their investment credit rating following their 2020 year-end review of the Group. This is a testament to the nature and quality of our portfolio, the resilience of our cash flows, and the measures we have taken to protect the business and its assets amidst very challenging but improving market conditions.

We maintained our “BBB –” rating and “Stable” outlook from S&P and Fitch, while Moody's re-affirmed our “Baa3” rating and improved our outlook to “Stable” from “Negative”.

In 2021, all our bonds continued performing well, considering the higher volatility and the widening of the spreads in the market due to the impact of COVID-19. Our 17/22 bond traded negatively for most of the period since the second quarter of the year. On average, our 18/25 and 20/26 bonds traded at 1.0% and 1.3%, respectively, during the period.

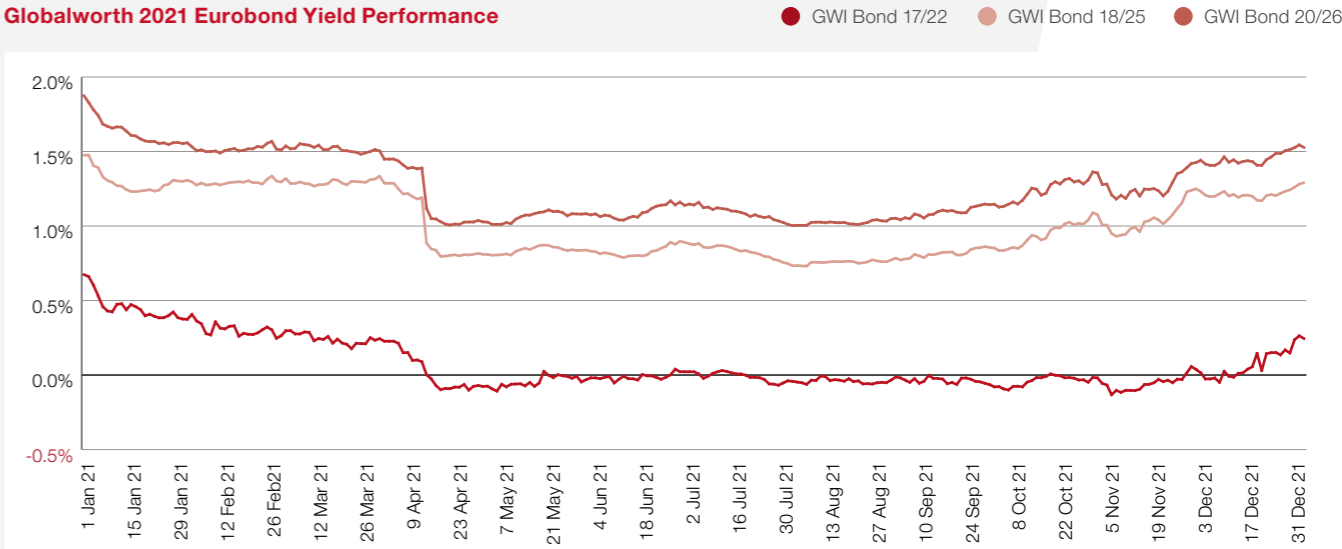
Basic Data on the Globalworth Bonds

	GWI bond 17/22	GWI bond 18/25	GWI bond 20/26
ISIN	XS1577957837	XS1799975922	XS2208868914
SEDOL	BD8Q3P6	BD9MPV	-
Segment	Euronext Dublin, BVB	Euronext Dublin, BVB	Euronext Dublin
Minimum investment amount	€100,000	€100,000 and €1,000 thereafter	€100,000 and €1,000 thereafter
Coupon	2.875%	3.000%	2.950%
Issuance volume	€550 million	€550 million	€400 million
Outstanding 30 June 2021	€323 million	€550 million	€400 million
Maturity	20 June 2022	29 March 2025	29 July 2026

Performance of the Globalworth Bonds

	31 Dec 2021	31 Dec 2020
GWI bond 17/22		
31 December closing price	101.2	103.2
Yield to maturity at 31 December	0.245%	0.674%
GWI bond 18/25		
31 December closing price	105.4	106.2
Yield to maturity at 31 December	1.291%	1.475%
GWI bond 20/26		
31 December closing price	105.9	105.4
Yield to maturity at 31 December	1.527%	1.874%

Globalworth 2021 Eurobond Yield Performance



MODEST DECLINE IN RENTAL INCOME IN 2021 DESPITE CONTINUED IMPACT FROM COVID-19 AND STABILISATION IN PROPERTY PORTFOLIO VALUATION



Andreas Papadopoulos
Chief Financial Officer

OVERVIEW

NOI¹

€144.3m

€157.3m (2020)

IFRS Earnings per share²

21 cents

-21 cents (2020)

EPRA Earnings¹

€59.1m

€82.3m (2020)

OMV³

€3.2bn

€3.0bn (2020)

EPRA NRV per share^{1,3}

€8.66

€8.68 (2020)

EPRA Earnings per share^{1,2}

27 cents

37 cents (2020)

Adjusted normalised EBITDA^{1,4}

€130.2m

€141.6m (2020)

Total Accounting Return¹

3.0%

-1.4% (2020)

Dividends per share

28 cents

34 cents (2020)

LTV^{1,5}

40.1%

37.8% (2020)

1 See Glossary (pages 182-184) for definitions.

2 See note 12 of the consolidated financial statements for calculation.

3 See note 23 of the consolidated financial statements for calculation.

4 See page 48 for further details.

5 See note 25 of the consolidated financial statements for calculation.

NOI and Adjusted normalised EBITDA impacted negatively by the continued effects of COVID-19, which also impacted occupancy. In addition, the EPRA earnings and IFRS earnings were significantly impacted by the exceptional and non-recurring administrative costs. The COVID-19 impact on portfolio valuation was marginal in 2021 thus stabilising the decline in EPRA NRV and turning the Total Accounting Return into a positive rate of 3.0%, compared to the negative rate in 2020 of -1.4%.

NOI declined by 8.2% in 2021 compared to 2020, reaching €144.3 million (2020: €157.3 million).

Adjusted normalised EBITDA decreased by 8.1% to €130.2 million from €141.6 million in 2020, reaching to the 2019 level prior to the COVID-19 pandemic, due to lower NOI by 8.2%, as offset by the positive impact of the €1.6 million (10% lower compared to 2020) savings in recurring administrative expenses.

Dividends declared in respect to 2021 of 28 cents per share, as compared to 34 cents for 2020, a 17.7% decrease, resulting from management's policy to preserve a high level of liquidity from the outset of the COVID-19 pandemic.

EPRA Net Reinstatement Value (NRV) of €1.9 billion, or €8.66 per share, a marginal decrease from €8.68 at 31 December 2020 mainly due to dividends paid, lower operating performance and non-recurring costs, offsetting the positive impact of lower revaluation losses (by €110.4 million compared to 2020). Combined with dividends paid in 2021, this resulted in a positive Total Accounting Return of 3.0% (versus a negative TAR of -1.4% in 2020).

The Open Market Value ("OMV") of the portfolio increased by €0.2 billion, an increase of 3.9% to €3.2 billion (31 December 2020: €3.0 billion), being the net impact of the

increase due to value accretive development CAPEX, and the acquisition of two new logistics properties during the year.

LTV at 31 December 2021 amounted to 40.1%, increasing marginally from 37.8% at 31 December 2020, but still within the long term 40% threshold set by Management.

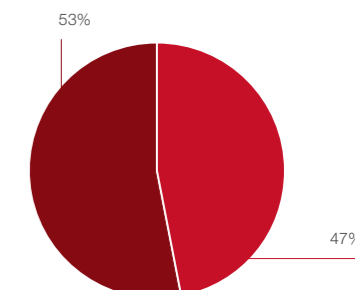
Revenues and Profitability

Consolidated revenues of €219.4 million in 2021 down by 1.8% compared to 2020 (€223.3 million), primarily as a result of a 6.3% decline in rental income to €150.3 million (2020: €160.5 million), which was partly compensated by a 9.9% increase in other revenues, consisting of service charge income and property development services income (€69.0 million in 2021 compared to €62.9 million in 2020).

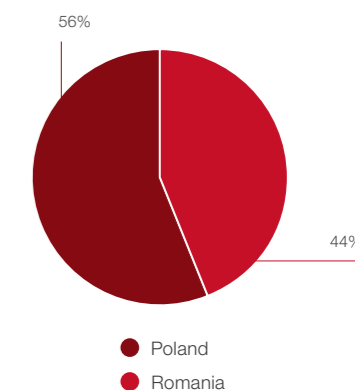
The main drivers for the decrease in rental income were:

- a 7.7% reduction (€5.7 million) in underlying rental income derived from standing properties in Poland, and a 4.5% drop from standing properties in Romania (€3.1 million);
- a 31% decline (€2.3 million) connected with the refurbishment programme of two mixed used properties in Poland during 2021;
- a 8.4% (€0.9 million) decline in rental income connected with Warta Tower which is a property held for sale, following the signing in September 2021 of a pre-SPA for its disposal, together with other four smaller properties in Poland; and

Revenue Share by Country 2021

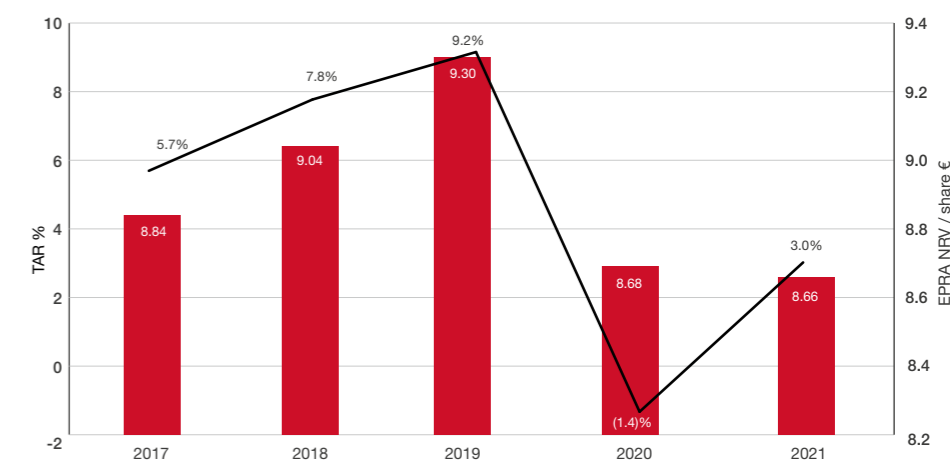


Revenue Share by Country 2020



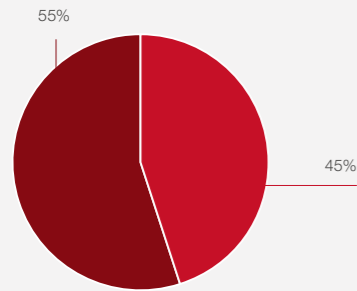
- an offsetting impact resulting from an additional rental income of €1.8 million, in Romania, recognised in 2021 following the acquisition of two new logistics facilities and the transfer of GW Square, a newly completed offices property, from development to standing/completed stage after 1 January 2021, representing a 1.1% increase in total rental income.

EPRA NRV / Total Accounting Return⁶

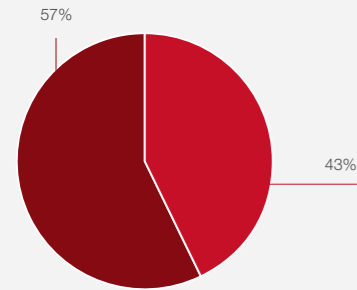


6 Total accounting return is the growth in EPRA NRV per share plus dividends paid, expressed as a percentage of EPRA NRV per share at the beginning of the year.

NOI Share by Country 2021



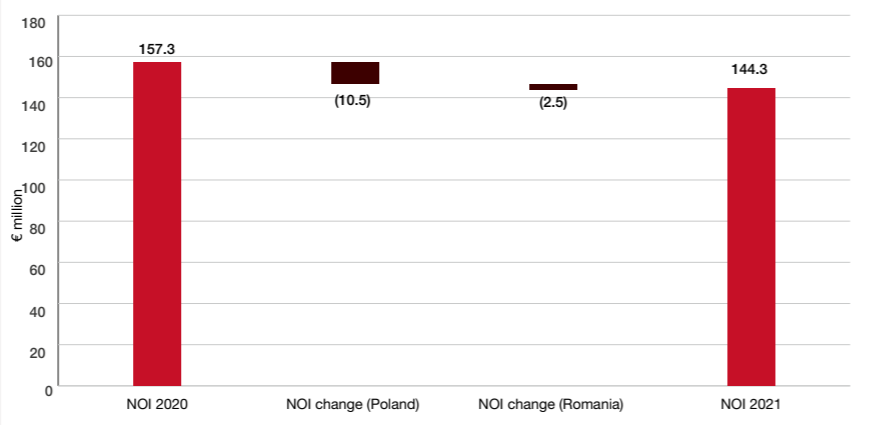
NOI Share by Country 2020



● Poland
● Romania

Net Operating Income

Net Operating Income of €144.3 million in 2021, a 8.3% decrease over 2020 (€157.3 million), influenced by the decrease in consolidated revenues but, more importantly, by the significant increase in operating expenses, by 13.7% against 2020, resulting from the significant increase in utility prices and increase in vacancy during the year.

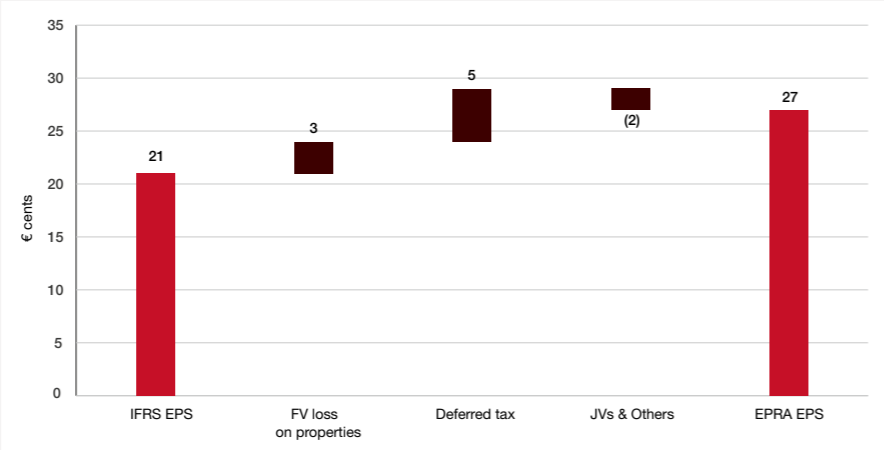


NOI was split 55% Poland / 45% Romania, compared to 57% Poland / 43% Romania in 2020.

Adjusted normalised EBITDA amounted to €130.2 million, a decrease of 8.1% over 2020 (€141.6 million), which correlates to the net effect of the decrease in NOI of 8.2% (€13 million), which was partly offset by the 10% reduction in recurring administrative expenses (by €1.6 million).

All amounts in €'m	2021	2020
Profit before net finance cost	110.9	16.4
Depreciation and amortisation expense	0.5	0.5
Acquisition costs	–	2.7
Fair value loss on investment property	5.7	116.2
Share based payment expense	0.5	1.1
Other expenses	1.9	2.6
Other income	(1.0)	(0.5)
Foreign exchange (gain)/loss	(0.2)	0.4
Loss from fair valuation of financial instrument	0.4	0.0
Exceptional and / or non-recurring expenses	11.5	2.3
Adjusted normalised EBITDA	130.2	141.6

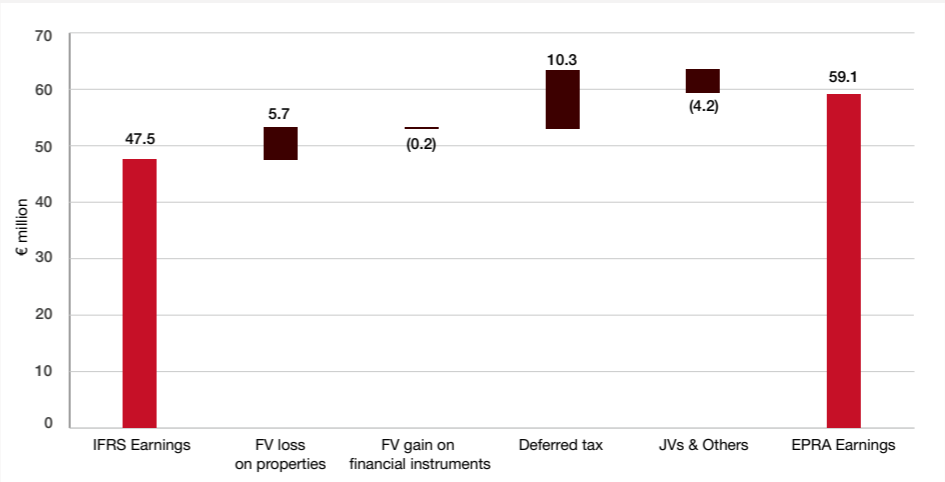
IFRS EPS to EPRA EPS (€ cents per share)



Finance costs increased by 8.6% in 2021 mainly due to the full-year impact of the new €400 million Bond, which was issued in July 2020, the higher negative interest rate charge on current and deposits accounts denominated in Euro and higher finance costs on the unwinding of the lease liability related to the right of usufruct of leasehold land underlying some investment properties. The negative impact on finance costs was partly offset by the reduction in interest expense due to the repayment of the RCF facility in August 2020 (which was drawn for a few months during 2020).

IFRS earnings were positive at €47.5 million (21 cents per share), resulting mainly from a modest decline of €5.7 million in the fair value of investment property in December 2021 as compared to €116.2 million fair value loss in 2020. However, excluding the impact of investment property valuations, the profit after tax declined by 23.3% to €53.2 million from €69.4 million in 2020, resulting from the decline in NOI of €13.0 million, increase in total administrative expenses of €7.6 million (mainly related to the €11.5 million exceptional and non-recurring costs associated with the offer for Globalworth shares initiated in May 2021), a €5.0 million increase in finance costs, as partly offset by an increase of €3.1 million in contribution from the share of joint ventures' profits compared to 2020, reduction in other non-operating costs of €4.7 million and income tax expense of €1.8 million.

IFRS Earnings to EPRA earnings bridge (€ million)



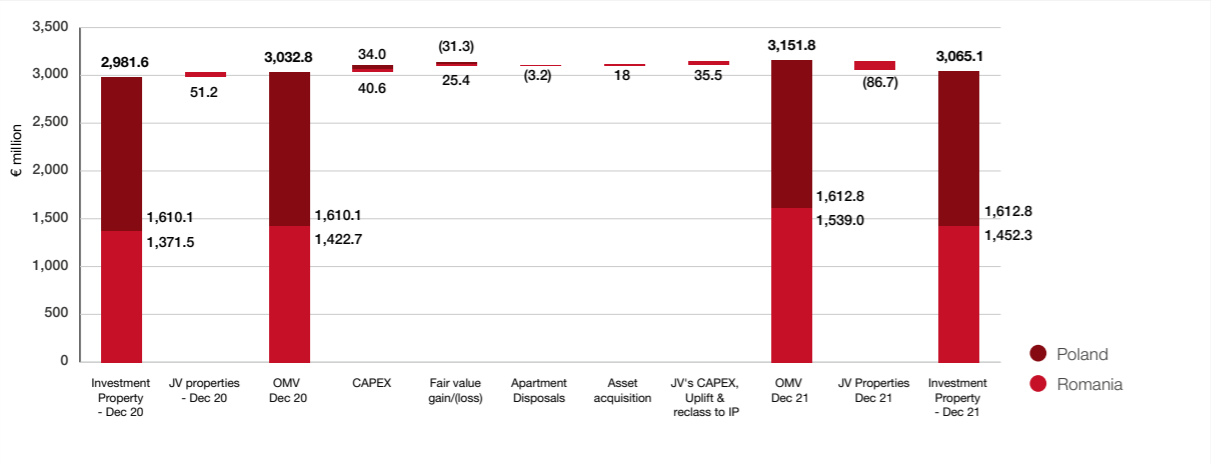
EPRA earnings weakened to €59.1 million, a decrease of 28.2% compared in 2020 (€82.3 million). The NOI contraction of €13.0 million and exceptional, non-recurring administrative costs of €11.5 million were the key drivers for such weakness. Similarly in terms of EPRA earnings per share, there was a 10 cents decrease (from 37 cents per share in 2020) to 27 cents per share.

Balance Sheet

The OMV of the portfolio increased by a considerable €0.2 billion, an increase of 3.9%, to €3.2 billion (31 December 2020: €3.0 billion). There was a marginal net loss on fair value of investment property of €5.7 million (9.4 million loss on standing assets and €3.4 million gain on properties under development/refurbishment), as compared to €116.2 million fair value losses in 2020. The property portfolio in Romania showed a positive valuation uplift by €25.4 million as compared to drop of €31.3 million in Poland.

The growth in OMV was mainly supported by the acquisition of two logistics facilities for €18.0 million, the incidental costs related to new leases and/or prolongation of existing lease contracts of €19.3 million, and value accredit additional CAPEX on standing and under development/refurbishment properties of €20.7 million and €32.6, respectively, as well as the increase in fair value of JV properties to €86.7 million from €51.2 million in 2020, after incurring €23.3 million development CAPEX on new logistics facilities.

Evolution in Portfolio Value (€ million by location)

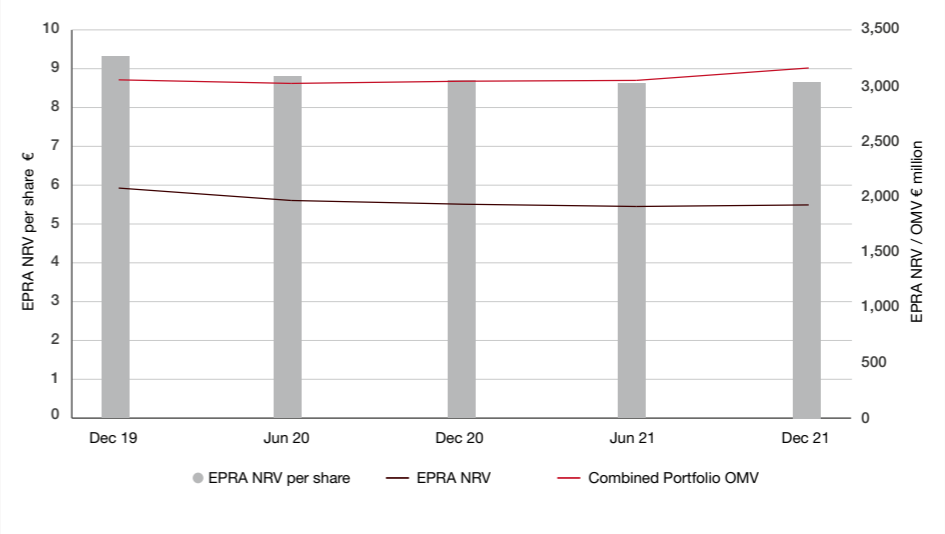


Total assets at 31 December 2021 amounted to €3.63 billion virtually unchanged from 31 December 2020 (€3.63 billion). Similarly, EPRA NRV decreased by only €6.0 million to €1.917 billion at 31 December 2021, a decrease of 0.3% on 31 December 2020 (€1.923 billion), while EPRA NRV per share decreased by 0.2% to €8.66 per share (31 December 2020: €8.68 per share). Reflecting the dividend distributions made during 2021 of 30 cents per share, the adjusted EPRA NRV per share on 31 December 2021 would be €8.96 per share, representing a positive total accounting return of NAV growth and dividend return for 2021 of 3.0% (2020: -1.4%).

EPRA NRV per share bridge from 31 December 2020 to 31 December 2021 (€)



Evolution of EPRA NRV/share and OMV by semester



Cash Flows

Cash flows from operating activities before working capital changes declined to €119.4 million from €136.1 million in 2020 due to the NOI contraction by €13.0 million and significant increase of €7.6 million (by 42.5% compared to 2020), in total administrative costs in 2021 due to the exceptional and non-recurring expenses incurred. Furthermore, operating expenses increased by €9.1 million, reflecting a 13.7% increase on 2020, and the decline in headline rental income along with additional new tenant incentives impacted the working capital changes substantially (by €21.9 million) thus reducing the overall cash flows from operating activities to €65.3 million (from €105.2 million in 2020), representing a 37.9% decrease.

In the absence of any new drawdown from existing or new debt facilities or prepayment of outstanding debt facilities, the cash flows from financing activities mainly decreased as a result of the dividend payments in 2021 of €66.3 million (in respect of the six-month periods ended 31 December 2020 and 30 June 2021), compared with the significant drawdown of three secured bank loan facilities and part repurchase of the 2022 Bond along with issuance of a new 2026 Bond in 2020.

Regarding investing activities, during 2021 the Group acquired two logistics facilities for €18.0 million, further invested €15 million in two logistics joint venture properties under development, and incurred capital expenditure on advancing development/refurbishment projects (two under development in Poland and one completed in Romania) of €32.7 million and on standing assets of €39.2 million.

Cash and cash equivalents at 31 December 2021 decreased to €418.7 million, €109.1 million lower than 31 December 2020 (€527.8), as influenced by the net cash outflows from financing and investing activities during the year.

DEBT STRUCTURE & LIQUIDITY

In the context of the ongoing COVID-19 pandemic, the Group’s focus during 2021 was to preserve the available cash liquidity and to protect its revenues and cash flows in order to mitigate the economic impact over its businesses.

Dividends

In March 2021 the Company paid an interim dividend of 15 cents per share (c.€33.1 million) in respect of the six-month period ended 31 December 2020, while in October 2021 it paid an interim dividend of 15 cents per share (c.€33.2 million) in respect of the six-month period ended 30 June 2021. In addition, another interim dividend of 13 cents per share (c.€28.8 million) will be paid in April 2022 in respect of the six-month period ended 31 December 2021.

Debt Summary

The Group’s debt remained largely unchanged at 31 December 2021 compared to 31 December 2020.

The total debt portfolio of the Group at 31 December 2021 of €1.63 billion (31 December 2020: €1.63 billion) comprises short to medium and long-term debt, denominated entirely in Euro with the first debt maturity

in June 2022, out of which €1.27 billion represents Eurobond and €361 million bank loans.

The Group has continued in 2021 its strategy over the last few years of keeping a reduced weighted average interest rate. At 31 December 2021, the weighted average interest rate remained at 2.73%, same as at 31 December 2020, while the average period to maturity of 3.5 years maintained the same trend (4.5 years at 31 December 2020), as presented in the chart below:

Servicing of Debt During 2021

In 2021, we repaid in total €2.8 million of loan capital and €44.6 million of accrued interest on the Group’s drawn debt facilities, including €37.6 million in relation to the full annual coupon for the Eurobonds of the Company.

Liquidity & Loan to value ratio

The Group’s aim is to maintain at all times sufficient liquidity to have the flexibility to react quickly at the moment when attractive new investment opportunities may arise.

As at 31 December 2021, the Group had cash and cash equivalents of €418.7 million (31 December 2020: €527.8 million) out of which an amount of c.€7.7 million was restricted due to various conditions imposed by the financing Banks. On top of this, the Group had available

liquidity from committed undrawn loan facilities amounting to €215 million.

The Group’s loan to value ratio at 31 December 2021 was 40.1%, compared to 37.8% at 31 December 2020. This is consistent with the Group’s strategy to manage its long-term target LTV of around or below 40%, whilst pursuing its strong growth profile.

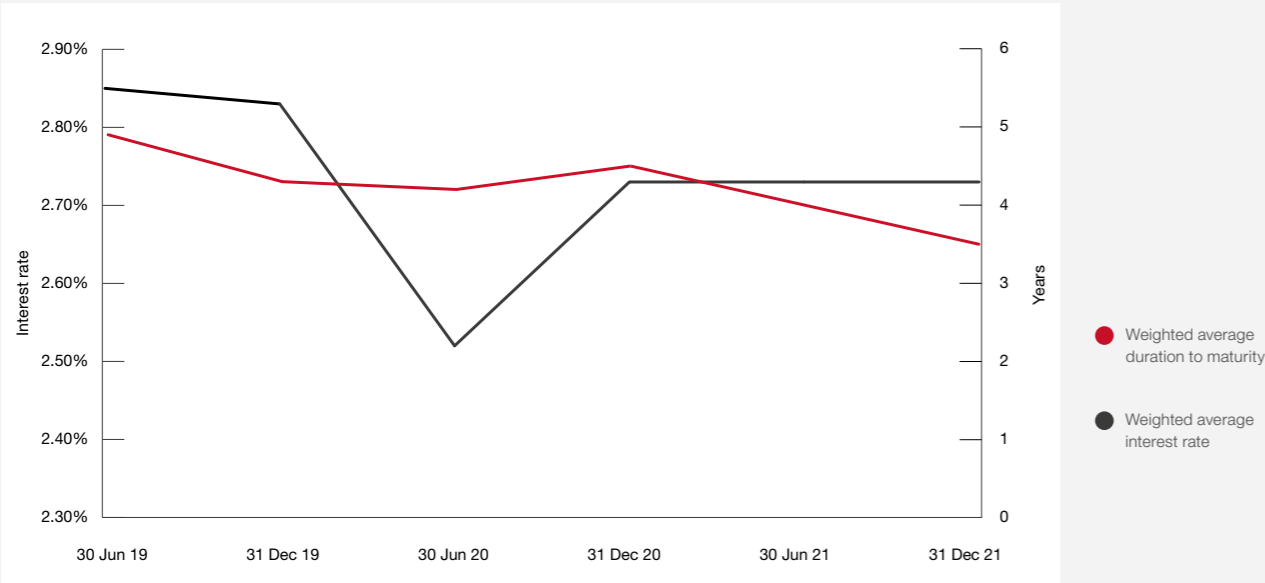
Debt Structure as at 31 December 2021
Debt Structure - Secured vs. Unsecured Debt

The majority of the Group’s debt at 31 December 2021 is unsecured: 77.9% (31 December 2020: 77.7%), with the remainder secured with real estate mortgages, pledges on shares, receivables and loan subordination agreements in favour of the financing parties.

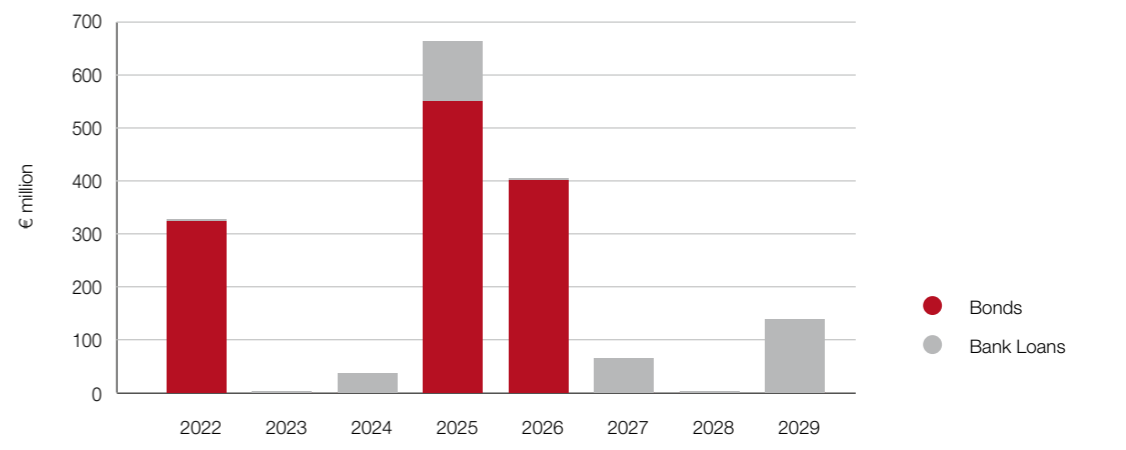
Loans and borrowings maturity and short-term / long-term debt structure mix

The Group has at 31 December 2021 credit facilities and Eurobonds with different maturities, most of them medium and long-term, as presented in the chart below:

Weighted average interest rate versus debt duration to maturity



Maturity by year of the principal balance outstanding at 31 December 2021 (€ million)



It is worth noting that for the short-term debt due in June 2022, the Company is currently analysing its options, including to at least partly refinance it, and will take a decision in due course.

Debt Denomination Currency and Interest Rate Risk

Our loan facilities are entirely Euro denominated and bear interest based either on one month's or three months' Euribor plus a margin (8.5% of the outstanding balance compared to 8.7% at 31 December 2020), or at a fixed interest rate (91.5% of the outstanding balance compared to 91.3% at 31 December 2020).

The high degree of fixed interest rate debt ensures a natural hedging to the Euro, the currency in which the most significant part of our liquid assets (cash and cash equivalents and rental receivables) is originally denominated and the currency for the fair market value of our investment property.

Debt Covenants

The Group's financial indebtedness is arranged with standard terms and financial covenants, the most notable as at 31 December 2021 being the following:

Unsecured Eurobonds and Revolving Credit Facility

- the Consolidated Coverage Ratio, with minimum value of 200%;
- the Consolidated Leverage Ratio, with maximum value of 60%;
- the Consolidated Secured Leverage Ratio with a maximum value of 30%; and
- the Total Unencumbered Assets Ratio, with minimum value of 125% (additional covenant applicable only for the RCF).

Secured Bank Loans

- the debt service cover ratio ("DSCR") / interest cover ratio ("ICR"), with values ranging from 120% to 350% (be it either historic or projected); and
- the LTV ratio, with contractual values ranging from 60% to 83%.

There have been no breaches of the aforementioned covenants occurring during the period ended 31 December 2021.

/ ENGAGING WITH OUR STAKEHOLDERS

In a world in which businesses are interrelated, engaging with our shareholders and other stakeholders to understand their interests, priorities, and expectations is key for shaping our strategy for the future and the success of our business.

This engagement has never been as vital as it has been since the COVID-19 pandemic outbreak in 2020, creating higher uncertainty about the future and the way we live and operate.

For us at Globalworth and the Globalworth Foundation, the safety and wellbeing of our people, partners, communities, and other stakeholders, was and will continue to be our top priority as we shape and implement our strategy and seek to achieve our objectives as a responsible landlord.

OUR VALUES

- 1



One Team
- 2



Act with Integrity
- 3



Respect, Diversity and Inclusion
- 4



Build an Environmentally Friendly & Sustainable Future



EMPLOYEES

- 1
- 2
- 3

Our stakeholders and why we engage

We believe that our most important asset is our team of dedicated professionals, who have been instrumental in driving the Group's performance over the years.

Our team is responsible for offering premium services to our partners, efficiently managing our high-quality portfolio, facilitating growth and creating value for our shareholders and other stakeholders.

Creating a safe, friendly, fair, and productive workplace, in which people are happy to be a part, and have the freedom to evolve personally and professionally, we believe inspires them to give that little bit extra.

Maintaining this positive and safe work environment is a key priority for the success of the Group, as well as retaining our reputation as being a desirable and attractive place for people to work.

Type of communication and engagement

One-on-one dialogue / meetings
Emails
Social media
Employee surveys and Evaluations
Events

Frequency of communication

Occasionally
Occasionally
Daily
Annually
Occasionally

Key topics and concerns

Improving water management.
Safeguarding corporate governance, regulatory compliance and business ethics.
Promoting green buildings, improving buildings' energy efficiency and investing in green certifications.



TENANTS

- 1
- 2

Tenants are at the heart of our business operations, and we are committed to offering best-in-class services to them.

We recognise that key for our tenants is to receive good value for the spaces occupied and the overall services received, to work and be associated with safe and environmentally friendly properties, and to be treated fair and reasonably.

Tenants and potential tenants acknowledge that people increasingly want to spend time in places that have a positive impact on their wellbeing, and so the quality of the overall environment, including the ability to customise the office space and mix of amenities within a development, is increasingly at the front of our minds.

One-on-one dialogue / meetings
Emails
Calls
Social media
Events

Ad hoc/Quarterly
Ad hoc/Monthly
Monthly
Daily
3-6 times per year

Safeguarding sustainable land use and biodiversity.
Promoting green buildings, improving buildings' energy efficiency and investing in green certifications.
Minimising waste and increasing the implementation of circular economy practices.



PARTNERS/SUPPLIERS/ CONTRACTORS

- 2
- 3

Our business partners, supplies and contractors are important to us, as by establishing and maintaining long term relationships with them, we can build a sustainable future, maintain our business model and future plans.

By sharing the same values and vision with us, they allow us to maximise the impact we have in our business, the communities and the environment in which we are part of.

They are integral to our supply chain, as our "local" landlord approach to our portfolio in Poland and Romania, and our "international" approach to Group affairs, require a supply chain consisting of a diverse range of partners.

We collaborate with over 1.0k third parties, including international or local providers, ranging from large multinational corporates to smaller businesses.

One-on-one dialogue / meetings
Emails
Social media
Events

Ad hoc/Monthly/Quarterly
Monthly/Quarterly
Daily
Ad hoc/Quarterly

Safeguarding corporate governance, regulatory compliance and business ethics.
Safeguarding occupational health, safety and wellbeing.
Safeguarding diversity, inclusiveness and protection of human rights at work.
Safeguarding health & safety and wellbeing of those who work and visit the properties (tenants, visitors, contractors).



SHAREHOLDERS/BOND HOLDERS

- 3
- (incl. equity and credit analysts and other investors)

The support and alignment of interest with our shareholders, bondholders and other providers of finance, as well as equity and credit analysts is key for the success of our business.

We engage with them regularly, directly meetings (face to face and/or via calls), investor conferences etc. and indirectly through our financial reporting cycle, sustainability updates, regulatory and other updates during the year to ensure that they are properly informed of our progress, as we firmly believe that through proper engagement and transparency we can receive the greatest level of support from them.

One-on-one dialogue / meetings	Corporate publications
Calls	Website, social media
Emails	Shareholders Meetings (AGM/ EGM)
Roadshows	
Conferences and industry events	

Ad hoc (multiple interactions per year)
Daily
Annually/Ad hoc

Promoting green buildings, improving buildings' energy efficiency and promoting green certifications.
Identifying financial and operational risks and opportunities from climate change.
Safeguarding corporate governance, regulatory compliance and business ethics.



LOCAL COMMUNITIES

1 2 4

Our stakeholders and why we engage

Our leading position in CEE's real estate market, with over 1.3m sqm of high quality space on offer, where more than 250k people work or visit on a daily basis (under normal conditions), makes us view our role increasingly important towards them, and the wider community of which we consider ourselves to be an integral part, as increasingly important.

Through the Globalworth Foundation and the wider Globalworth team, we are committed to making a positive contribution to the communities within which we operate.

Our ongoing dialogue with our communities, allows us to be able to identify the areas where we can have the highest impact and adapt our strategy accordingly.

We seek to have an effect on our communities by maintaining the highest levels of ethical standards and conducting our business in a responsible and sustainable way, committed to our three pillars of "People, Places and Technology".

Type of communication and engagement

One-on-one dialogue / meetings / calls / emails
Online (corporate website, social media)
Press releases, interviews pitching, Q&A
Events (corporate, consumer and internal), owned and sponsorships
Media buying, sponsorships, newsletters

Frequency of communication

Daily
Daily
Weekly
Ad hoc
Ad hoc

Key topics and concerns

Safeguarding diversity, inclusiveness and protecting human rights at work.
Engaging and investing in local communities.
Assessing business partners (including suppliers/contractors) against ESG criteria.



STATE AND LOCAL AUTHORITIES

1 2 4

We are members of a number of key industry initiatives, and through our participation and interaction in such task groups with leading professionals, developers, consultants, engineers and manufacturers, we gain practical insights into innovative solutions for effective property management and access to information on upcoming legislation and the process of EU law transposition as it is implemented or comes into force by region.

We believe that through an open and transparent dialogue with the regulatory and industry bodies in the countries in which we operate, we will improve public trust in the real estate sector through raising industry standards, and creating a sustainable environment for visitors, occupiers, landlords, investors and other stakeholders is fundamental to our business.

One-on-one dialogue / meetings
Social media

Ad hoc
Ad hoc

Safeguarding occupational health, safety and wellbeing.
Safeguarding diversity, inclusiveness and protecting human rights at work.
Safeguarding health & safety and wellbeing of those who work and visit the properties (tenants, visitors, contractors).



VIABILITY STATEMENT

In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Board has considered the Company's viability over the next three years.

As a result of the long-term nature of the Group's commitments from its tenants for its properties, as well as the long-term nature of the Group's properties, the Board is confident over the long-term viability of the Group's business; however, it is difficult to assess the long-term trends in the real estate market in Romania and Poland, the long-term availability of funds in the European and global capital markets, and the European Central bank's long-term policies over the provision of liquidity to banks operating in the Eurozone, the largest of which have subsidiaries in Romania and Poland. In addition, it is difficult to assess the regulatory, tax and political environment in which the Group operates on a basis longer than a three-year period. Therefore, the Board considered that a three-year period is an appropriate period to perform its viability analysis, as also supported by the following factors:

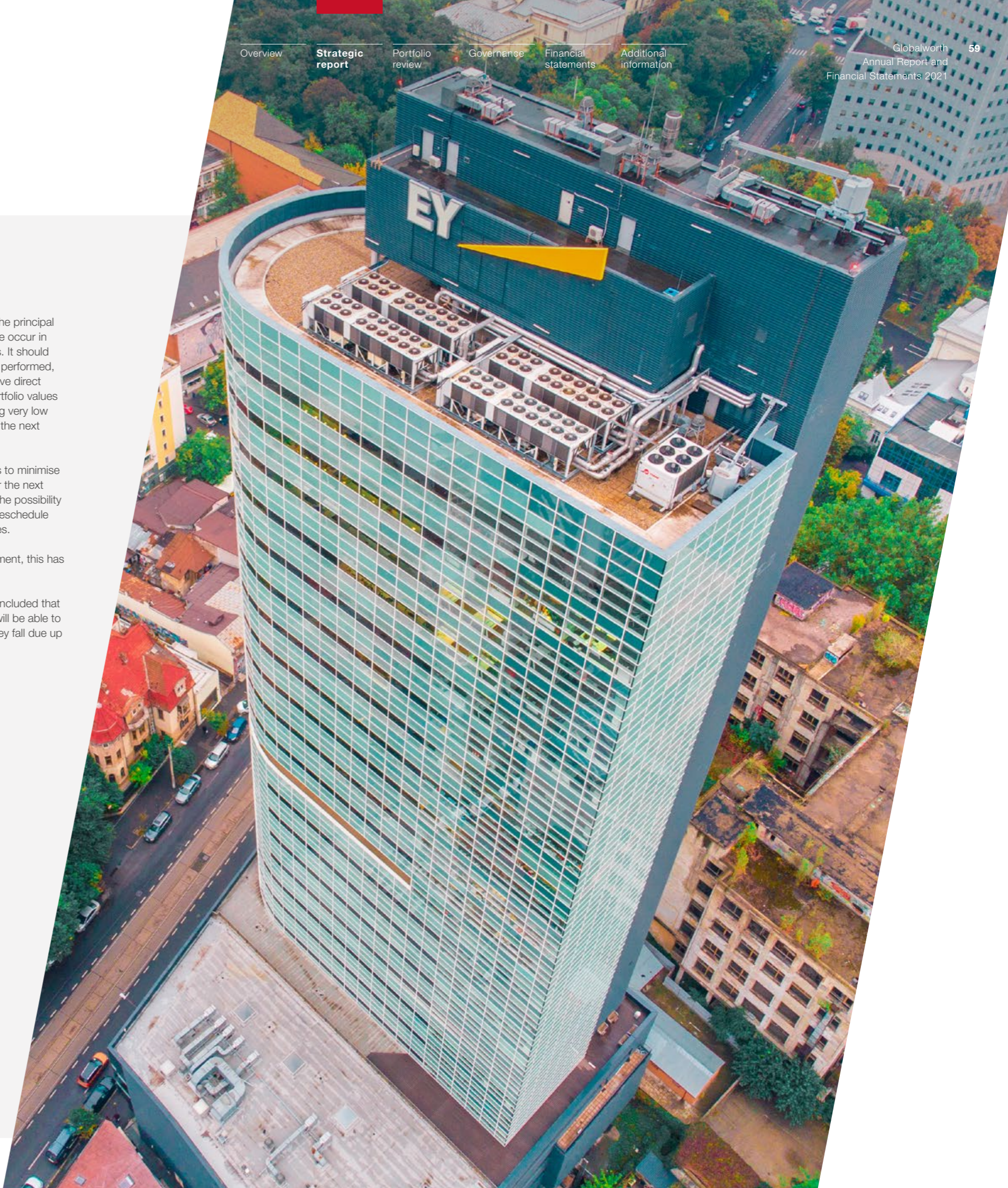
- three years is the period over which the Group performs its cash flow projections and business plans;
- three years is the average period over which the Group carries out its major development projects, starting from the date of purchase of land to the completion of the properties; and
- three years is considered as the optimum balance between the necessity to plan for the short to medium term and the requirement to maintain high levels of accuracy in the underlying projections.

In 2021, the viability assessment process comprised the following key steps:

1. A review and assessment by the Risk Committee of the principal risks facing the Company. An outline of the identified principal risks, including changes in the assessed risk level from the prior year, is presented on pages 101-104.
2. Identification of those principal risks that are more likely to have a potential impact on the Company's viability over the next three-year period, namely:
 - counterparty credit risk;
 - valuation of portfolio;
 - inability to lease space;
 - lack of available financing; and
 - breach of loan covenants.

3. Analysis of the potential quantitative impact of the principal risks identified under step 2 above, should these occur in isolation or under certain possible combinations. It should be emphasised that, based on the assessment performed, a number of the above-mentioned risks may have direct and indirect impact on the Group's property portfolio values and / or NAV, but have been assessed as having very low probability of affecting the Group's viability over the next three years.
4. Assessment of the possible, available strategies to minimise the potential impact of these principal risks over the next three years. Such mitigation strategies include the possibility to raise additional equity capital, or refinance / reschedule existing debt facilities, or to dispose of properties.
5. Following the completion of the viability assessment, this has been presented and approved by the Board.

Based on the assessment performed, the Board concluded that it has a reasonable expectation that the Company will be able to continue in operation and meet all its liabilities as they fall due up to March 2025.



COMMITTED TO CREATING A SUSTAINABLE FUTURE



Stamatis Sapkas
Deputy Chief Investment Officer

OUR VALUES

**One Team**

**Respect, Diversity and Inclusion**

**Act with Integrity**

**Build an Environmentally Friendly & Sustainable Future**

GLOBALWORTH'S ESG FOCUS

Environmental ('E')	Social ('S')	Governance ('G')
<ul style="list-style-type: none">Invest and create high quality sustainable and environmentally friendly real estate spaces, in which people and business can flourish.	<ul style="list-style-type: none">Attract, inspire, support and maintain a talented team of professionals proud to work for Globalworth.Support our communities of which we are an integral part and intensify our efforts in this challenging environment.	<ul style="list-style-type: none">Operate by applying the highest standards of Governance, and supporting the principles of the UK Corporate Governance Code, thus providing confidence to our shareholders and other stakeholders.



CREATING SUSTAINABLE LONG TERM VALUE

Financial
Generate long term sustainable and attractive, risk adjusted returns through yield and capital appreciation, allowing us to create the capacity to distribute dividends for our shareholders.

- Rental growth
- Portfolio value appreciation
- EPRA NRV growth
- Sustainable and recurring dividend

Non-Financial
Create a Group and an environment in which people want to work, do business, and be associated with.

- Invest in sustainable and environmentally friendly buildings.
- Create safe and healthy spaces where people want to work and be associated with.
- Assist and improve the communities in which we are part of.

This forward-thinking, more integrated approach allows us to assess the long-term better, reduce risk and maximise value for our shareholders and other stakeholders.

➔ See more information on our business model on page 14

UNDERSTANDING OUR IMPACT

As part of our sustainable development strategy, we focus on topics that substantively influence our business, the judgement and decisions of our stakeholders, and those that are directly related to our significant economic, social and environmental impacts.

For this reason, we performed our initial materiality analysis in 2018 based on GRI standards, and since then we have been regularly reviewing. Our latest update was in 2020/21 were following the COVID-19 global pandemic outbreak, we considered that a more detailed update was required to better understand potential changes in the material topics for our business, and helping us “connect” these topics with the relevant SDGs.

We believe that through our three main pillars of “People, Places and Technology” we can achieve a balance, that will result in creating long-term and sustainable value for the Group, our shareholders, our people, our community, the environment, and other stakeholders.

REPORTING

We believe that through robust performance monitoring and reporting, we can support and properly manage our ESG performance. It is very important that we accurately measure our performance and that our data is detailed, relevant, and transparently reported.

As part of this continuous effort, we published Globalworth’s “2020 Sustainable Development Report” in June 2021. This is the third report we published and has been prepared in accordance with the GRI Standards: Core option and with the European Public Real Estate Association’s Sustainability Best Practice Reporting Recommendations (EPRA sBPR).

In addition, in July and in line with our commitment as part of the issue of our inaugural €400 million Green Bond financing, we issued our (first) “2020 Green Bond Report” which has received independent limited assurance from EY on the allocations of the net proceeds.

Finally, the Globalworth Foundation published its inaugural report, “2020 Globalworth Foundation Annual Report”, focusing on the social initiatives in which it is involved.

LINKING OUR ESG PRIORITIES TO PEOPLE, PLACES AND TECHNOLOGY

Following the review of the sustainable development topics related to our business, industry from international publications and relevant standards, we linked them to the relevant SDGs.

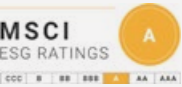
- Promoting green buildings, improving buildings’ energy efficiency and investing in green certifications
- Safeguarding corporate governance, regulatory compliance and business ethics. Ensuring business continuity and emergency preparedness
- Engaging and investing in local communities
- Safeguarding occupational health, safety and wellbeing
- Generating and distributing direct and indirect economic value
- Creating and retaining employment. Safeguarding diversity, inclusiveness and protecting human rights at work
- Safeguarding health, safety and wellbeing of those who work and visit the properties (tenants, visitors, contractors)

2021 RATINGS

Sustainalytics ESG Risk Rating
14.8% Low risk (4 August 2021) awards



MSCI ESG Rating
A (27 January 2022)



ENVIRONMENTAL

OUR PLACES

Consistent with our commitment to energy-efficient properties, we certified or recertified 38 properties with BREEAM Very Good or higher certifications to our portfolio in 2021.

Five properties in Poland were environmentally certified for the first time during the year, with Silesia Star (Katowice – 2 buildings) and Rondo Business Park (Krakow – 3 buildings) accredited with BREEAM Excellent certifications.

We are pleased that we were able to improve the level of certification, from BREEAM Very Good to Excellent, for three buildings part of the Quattro Business Park in Krakow, for the A4 Business Park (3 buildings) in Katowice, for West Link in Wroclaw, for Hala Koszyki and Spektrum Tower in Warsaw and the Unicredit HQ in Bucharest. All other properties, including Skylight & Lumen (Warsaw), maintained their original level of accreditation. In total, 33 properties had their certifications updated during the year.

Overall, as of 31 December 2021, our combined standing portfolio comprised 53 green-certified properties, accounting for 89.3% of our standing commercial portfolio by value. BREEAM accredited properties account for 79.2% of our green-certified standing portfolio by value, with the remainder of

properties being holders of other certifications (LEED Gold or Platinum, Edge).

In addition, the Renoma and Supersam mixed-use properties in Poland, which are currently under refurbishment/repositioning, have maintained their BREEAM Excellent accreditations, as the works performed are by a strict set of guidelines that do not impact their green certification status.

In total, at year-end 2021, we had 55 green-certified properties valued at €2.7bn, up from €2.3bn in 2020.

In January 2022, two properties received green certifications (one recertified), and we are delighted that Globalworth Square obtained BREEAM Outstanding accreditation, with 99% scoring, placing the building in 3rd place worldwide.

We remain committed to our green goals aiming for 100% of our commercial portfolio to be green accredited. We are currently in the process of certifying or recertifying 11 other properties in our portfolio, principally targeting BREEAM certifications.

In addition, in 2021, we secured 100% of the energy used in our Polish properties and our

Romanian office portfolio to be generated from renewable sources. This represents a significant improvement from 2020 and 2019, where 56% and 40%, respectively, of the energy used in our portfolio, was from renewable sources. The switch to green energy is part of our broader preparatory actions for nZEB, which also involves other steps, including introducing intelligent metering and implementing FORGE for monitoring.

To further demonstrate that our properties provide safe and healthy places for corporates to operate and for people to visit and work in, we engaged in a process to receive a WELL Health-Safety Rating.

In December, we successfully received a WELL Health-Safety Rating for 15 (of the 16) office buildings in Romania. We are currently in the process for receiving such a rating for our properties in Poland and Globalworth Square in Romania. The WELL Health-Safety Rating is an evidence-based, third-party verified rating for all new and existing building and space types focusing on operational policies, maintenance protocols, stakeholder engagement and emergency plans to address a post-COVID-19 environment now and into the future.



OUR PERFORMANCE

Impact area	Sustainability Performance Measures	Unit	2019	2020	2021
Energy	Building energy intensity	kWh/sqm/year	315.3	256.5	265.1
GHG emissions	Carbon emissions (GHG) intensity from building energy consumption	kg CO ₂ e/ sqm/year	176.2	142.9	142.8



FOCUS ON TECHNOLOGY

We are firm believers that technology has a positive impact on real estate, both for tenants and investors. As such, we invest directly or indirectly in selected opportunities and initiatives, including technology related venture capital funds.

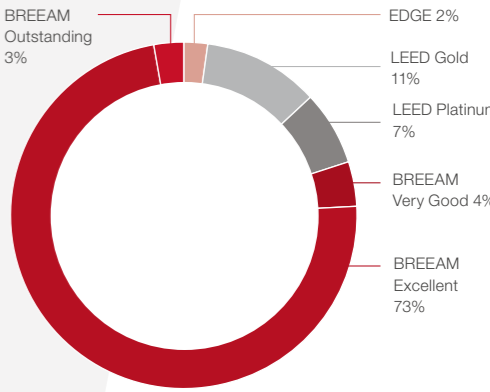
Globalworth is currently participating in two venture capital funds, Early Games Venture and GapMinder Venture Partners.

- In 2018 we made a €2.0 million commitment to Early Games Venture, a venture capital fund, focused on innovative companies in Romania, co funded by the European Regional Development Fund and funded through the Competitiveness Operational Programme (2014-2020). As of 31 December 2021, we have funded 55% of our total commitment.
- In 2019 we committed €2.4 million to GapMinder Venture Partners, the VC fund investing in IT Software and Services start-ups in Romania and Central Eastern Europe and in disruptive projects with regional, European and global ambitions. As of 31 December 2021, we have funded 54% of our total commitment.

In addition, in 2021 we continued with implementation of several initiatives in our properties and we are exploring several other which could find further application in our portfolio improving our services and performance.

- The ice storage system and geothermal energy systems implemented in our Globalworth Square development which targets lower energy/occupational costs and efficiencies in the property.
- Green energy solutions which are at various stages of implementation in our portfolio, including solar photovoltaic panels converting solar energy to cover our buildings' requirements with green electricity, and electric charges to power vehicles in our properties.
- The Property App, which is focused on providing smart touchless solutions in the property, with emphasis on comfort, safer operation and efficiency, whilst preserving the same mandatory security standards, which currently in progress.
- "Virtual reception" and visitor's management platform for a digitised, fast and easy to scale check-in process.

Green Certified Properties (by value)



€2.7BN IN 55 GREEN-CERTIFIED PROPERTIES

/ SOCIAL

OUR TEAM

Our most important asset is our team of dedicated professionals, who have been selected by employing the best available candidates for every position, regardless of gender, ethnic group or background.

This team which has been working under challenging circumstances since the beginning of the COVID-19 pandemic, has maintained a positive attitude, resilience, commitment and efficiency, and has been offering premium services to our partners, efficiently managing our high-quality portfolio, facilitating growth and creating value for our shareholders and stakeholders.

To maintain our coherence and meet the highest standards of services, our team of professionals receives regular in-house and/or third-party led training programmes designed to improve our skillset, knowledge, operational experience and interaction with our stakeholders.

At the end of 2021, our team comprises 248 professionals, most of which sit in our two main offices in Warsaw and Bucharest. Team members are also located in regional cities in Poland and Romania, Cyprus and the UK.

OUR COMMUNITIES

We view our role as increasingly responsible towards the people who work at and visit our properties and the broader community of which we consider ourselves to be an integral part.

We have a significant footprint in Poland and Romania, with over 1.3 million sqm of high-quality spaces, where more than 250k people visit daily under normal conditions, and many others are indirectly affected.

In 2021, we maintained our strong focus of giving back to our community and together with the Globalworth Foundation we contributed over €1.0m in more than 20 initiatives in Romania and Poland.

Positive contribution to

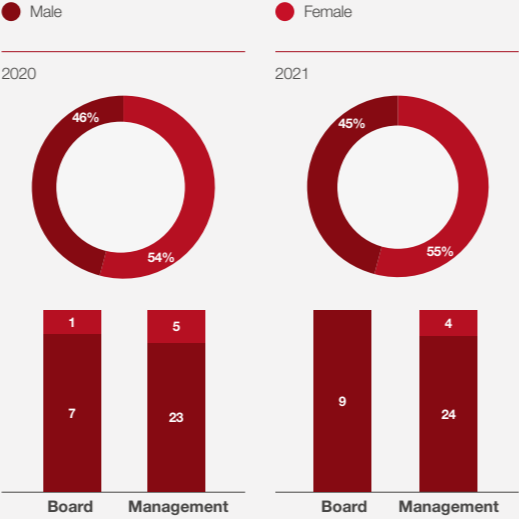
+138k

people in 2021

We participated in programmes such as “Nesting a brighter future for children” (United Ways Foundation), the “Visits of Hope” (Hospice “Casa Sperantei” Foundation), the “2031 NOW our cities in 10 years” (Igloo Association), launched the “Mobile Caravan” raising awareness and testing for cervical cancer and brought the first digital solution for virtual sports to children and teenagers with physical and intellectual disabilities in placement and residential centres in Romania. Overall 138.3k people were directly or indirectly from the initiatives we participated in.

Recognition of our and the Globalworth Foundation’s initiatives with several awards received including, the CSR Community Index awarding the Gold Recognition for the best practices in community investment for the programme Hi-tech Learning Center at the category Tech 4 Good.

Gender Diversity



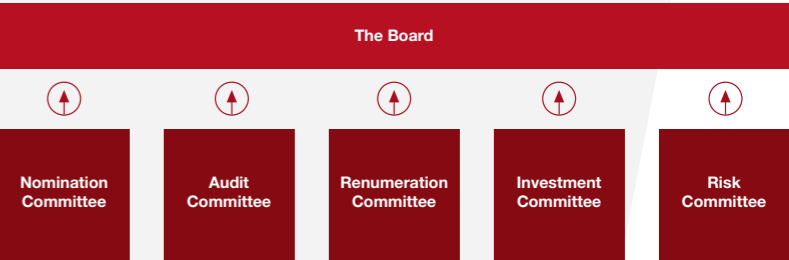
/ GOVERNANCE

The Group is committed to the highest standards of Governance, and although it is listed on LSE AIM, it supports the principles of the UK Corporate Governance Code issued by the Financial Reporting Council in July 2018, which applies to all companies with a premium listing in the UK for accounting periods beginning on or after 1 January 2019.

Ensuring that an effective corporate governance framework is in place gives confidence to our shareholders and other stakeholders that the Board and the Group are committed to providing high governance standards.

We are pleased that due to our efforts in 2021, there were:

- No confirmed incidents of corruption, and no actions were taken
- No legal actions for anti-competitive behaviour, anti-trust, and monopoly practices
- No substantiated complaints concerning breaches of customer privacy and losses of customer data



Note: Additional information on the performance of the various Committees in 2021 is available in the Governance section.



GLOBALWORTH FOUNDATION: BRINGING PEOPLE TOGETHER



Georgiana Iliescu
Executive Director,
Globalworth Foundation

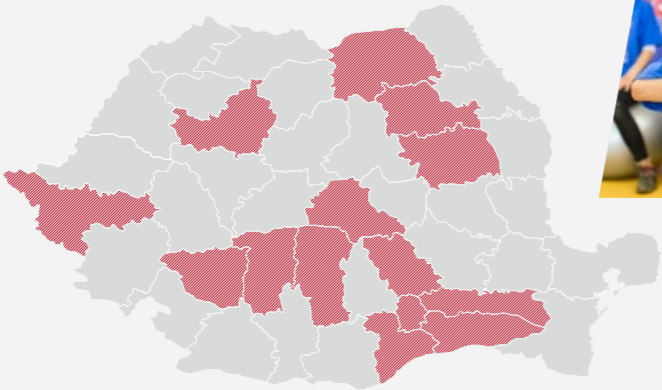
The Globalworth family, directly and through the Globalworth Foundation over the past eight years we have been continuously supporting our communities in Romania (since 2012) and Poland (since 2018).

At the Globalworth Foundation, we focus on social projects based on our three main pillars of People, Places and Technology and oversee the majority of the allocation of the Group's resources to various social activities.

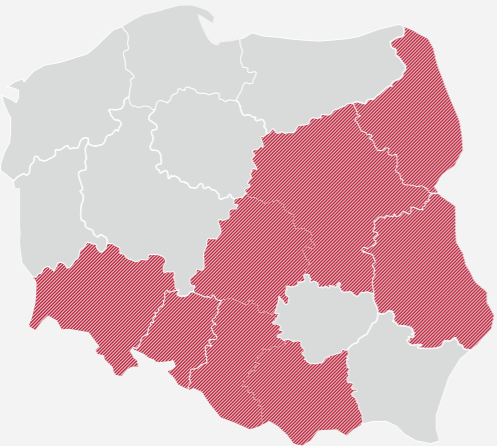
I am delighted that in 2021 we were able to make a positive contribution to our communities in Romania and Poland by being involved in more than 20 initiatives to which we contributed over €1.0 million. More important is that through these initiatives, we could have a beneficial impact on the lives of over 138k young and not so young people in our communities.

Allocation of Initiatives (by €)	
People: Education	51.3%
People: Health	35.3%
Technology	9.2%
Places	4.2%
	100.0%

Where Are Our Projects: Romania



Poland



+€1.0m

contributed to more than 20 initiatives in Romania and Poland

+138k

people positively impacted in 2021

30+

projects in Poland and Romania



Select Initiatives

2031 NOW_ OUR CITIES IN 10 YEARS

An international competition, launched together with the Igloss Association, dedicated to architecture, city planning, and design students from Poland and Romania. The aim is to imagine and shape how our cities could evolve 10 years from now.



GREEN FOR LIFE PROJECT

The Globalworth team planted +5,000 trees near Warsaw to launch our Globalworth Forest Initiative to address climate change and promote healthy living, as well as raise environmental awareness.



MOBILE CARAVAN

Together with the Renasterea Foundation in Romania, we launched the Mobile Caravan for Cervical Cancer Diagnosis. Over a 3-month period c.1,200 women have had free access to Pap tests for detecting gynaecological diseases.



THE WARSAW MEDICAL LABORATORY

We financed the first training laboratory in the largest hospital in Warsaw, which is expected to train 1,000 future doctors, who annually take care of c.4,000 children from all over Poland.

VIRTUAL SPORTS

We equipped 6 placement and residential centres with the first digital solution allowing for virtual sports in Romania.



NESTING A BRIGHTER FUTURE TO CHILDREN

A programme developed in partnership with the United Way Foundation. In 2021 we supported 704 children in participating in 354 non-formal learning activities (out of the 5,742 to date), 25 trips (out of the 383 total/project) and 22 activities supported by special guests.

PORTFOLIO REVIEW

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PORTFOLIO SNAPSHOT



We own and manage a high-quality portfolio in prime real estate markets in Poland and Romania, offering our investors an efficient gateway to the two largest markets in Central and Eastern Europe.

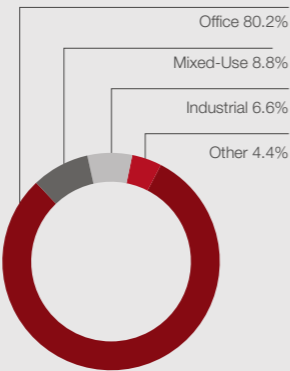
Our portfolio is in 12 of the largest and most liquid sub-markets in our countries of focus. It primarily comprises of 30 Class “A” offices (50 properties in total), with other investments including three mixed-use assets (one standing and two under refurbishment / repositioning), seven industrial parks, land for further development and partial ownership in a residential complex.

As of 31 December 2021, our portfolio had an overall aggregate value of €3.2 billion.

COMBINED PORTFOLIO

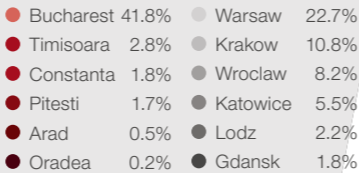
- Standing Investments⁽¹⁾: 39 (66 standing properties)
- GAV⁽²⁾/Standing GAV (€m): €3,152m/€2,866m
- Occupancy⁽³⁾: 88.5% (88.7% including tenant options)
- WALL⁽⁴⁾: 4.7 years
- Standing GLA (k sqm)⁽⁵⁾: 1,302.3k sqm
- Contracted Rent (€m)s⁽⁶⁾: €183.7m

GAV Split by Asset Use



Total GAV
€3.2bn

GAV Split by City



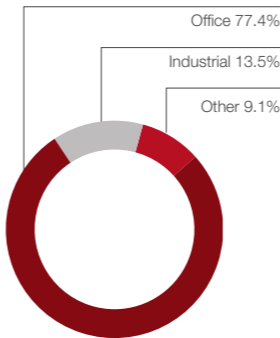
1. Standing Investments representing income producing properties. One investment can comprise multiple buildings, e.g. Green Court Complex comprises three buildings or one investment.
2. Includes all property assets, land and development projects valued at 31 December 2021 but excludes ROFO assets in Poland.
3. Occupancy of standing commercial properties, and in the case of Poland, including office rental guarantees.
4. Includes pre-let commercial standing and development/ redevelopment assets. WALL of standing commercial properties in Poland, Romania and the Combined portfolio are 3.9 years, 5.4 years and 4.7 years, respectively.
5. Including 30.3k sqm of residential assets in Romania.
6. Total rent comprises commercial (€174.5 million) and residential (€0.9 million in Romania) standing properties and rent from redevelopments and development pre-lets (€6.8 million in Poland and €1.5 million in Romania), and includes contracted rent under a master lease agreement.



ROMANIAN PORTFOLIO

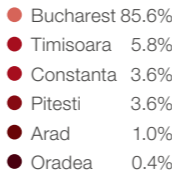
- Standing Investments⁽¹⁾: 20 (29 standing properties)
- GAV⁽²⁾/Standing GAV (€m): €1,540m/€1,419m
- Occupancy⁽³⁾: 90.7% (91.0% including tenant options)
- WALL⁽⁴⁾: 5.5 years
- Standing GLA (k sqm)⁽⁵⁾: 760.2k sqm
- Contracted Rent (€m)s⁽⁶⁾: €89.0m

GAV Split by Asset Use



GAV as % of Total
48.8%

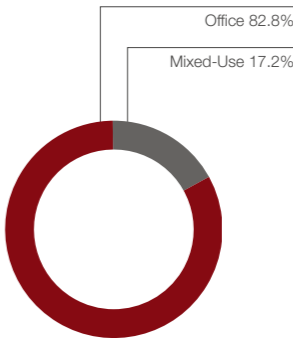
GAV Split by City



POLISH PORTFOLIO

- Standing Investments⁽¹⁾: 19 (37 standing properties)
- GAV⁽²⁾/Standing GAV (€m): €1,613m/€1,447m
- Occupancy⁽³⁾: 85.6%
- WALL⁽⁴⁾: 3.9 years
- Standing GLA (k sqm)⁽⁵⁾: 542.1k sqm
- Contracted Rent (€m)s⁽⁶⁾: €94.7m

GAV Split by Asset Use



GAV as % of Total
51.2%

GAV Split by City



EXTENDED OUR FOOTPRINT TO 12 CITIES

We own and manage 45 high-quality real estate investments in Bucharest, Warsaw and 10 regional markets/cities in Poland and Romania.

Our principal focus is on Class “A” environmentally friendly offices, which we acquired or developed, offering a diverse mix of high-quality space. These properties accommodate front-office and support operations, mainly Business Process Outsourcing and Shared Services Centres, in seven cities in Poland and Romania, accounting for 80.8%⁽¹⁾ of our combined portfolio by value.

Our presence in offices also extends through our ownership in three highly recognisable, mixed-use, multifunctional properties in Poland, which combine a high-quality retail and leisure experience with Class “A” office spaces. As of 31 December 2021, two of these properties are under refurbishment/repositioning, aiming further to increase their class “A” office space and improve their retail/commercial offering in response to current market conditions.

We also invest in industrial properties – typically logistics and light-industrial facilities – in markets that we identify strong tenant demand.

Our industrial portfolio is in Romania, where we acquired or developed 7 high-quality parks directly or together with selected partners, and as of year-end 2021, we had several new facilities under development.

In addition, we have partial ownership of a residential complex with a retail component adjacent and complementary to our office properties in the new CBD of Bucharest.

Bucharest and Warsaw are the cities where we have our largest concentration, with 27 investments, including 27 class “A” offices, an industrial park (partially developed) and other auxiliary buildings, accounting for 64.5% of our combined portfolio value.

Bucharest is the city where the Group started operating in 2013 and the most significant real estate market in Romania, while Warsaw is Poland’s and the CEE’s largest and most mature real estate market. Our regional portfolio spans over 10 major markets in Poland and Romania, with our most significant regional presence being in Krakow and Wroclaw, accounting for 10.8% and 8.2% of our combined portfolio value, respectively.

(1) including land to be developed in the future as offices.

GAV €1.5bn Contracted Rent €89.0m

KEY

GAV

Standing properties

Standing GLA

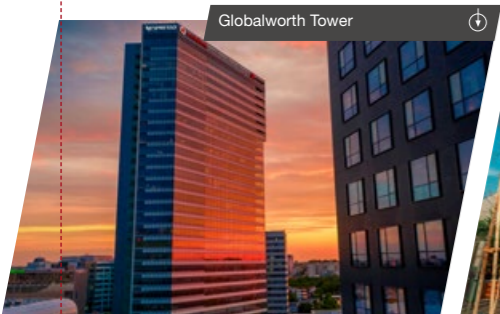
Standing Occupancy

Standing Contract Rent

Standing 100% Potential Rent

Future GLA

Future ERV



Bucharest

€1,318.0m

20

522.4k sqm

87.4% (87.8% incl. tenant options)

€76.5m

€86.8m

→ 130.1k sqm (14.6k sqm contracted)

→ €16.4m (€0.8m contracted)

● Office – 90.4%

● Industrial – 2.4%

● Other – 7.2% (incl. land for future development)

Timisoara

€89.4m

5

121.3k sqm

92.3%

€5.1m

€5.5m

→ 175.8k sqm

→ €7.3m

● Industrial – 88.4%

● Other – 11.6% (incl. land for future development)

Pitesti

€54.8m

1

68.4k sqm

100.0%

€3.4m

€3.4m

→ 6.7k sqm (6.7k sqm contracted)

→ €0.6m (€0.6m contracted)

● Industrial – 100.0%

Constanta

€55.5m

1

21.1k sqm

99.3%

€0.9m

€0.9m

→ 545.3k sqm (3.7k sqm contracted)

→ €28.6m (€0.2m contracted)

● Industrial – 35.9%

● Other – 64.1% (incl. land for future development)

Arad

€16.2m

1

20.1k sqm

100.0%

€1.1m

€1.1m

● Industrial 100%

Oradea

€5.6m

1

6.9k sqm

100.0%

€0.4m

€0.4m

● Industrial 100%

WE ARE PRESENT IN THE LARGEST AND MOST LIQUID OFFICE MARKETS OF POLAND

We own 21 high-quality investments with 32 class “A” offices and three mixed-use properties in Warsaw and five regional cities in Poland.

GAV
€1.6bn

Contracted Rent
€94.7m

KEY

⊙

GAV

🏢

Standing properties

⊠

GLA

👤

Standing Occupancy

◆

Standing Contract Rent

◆

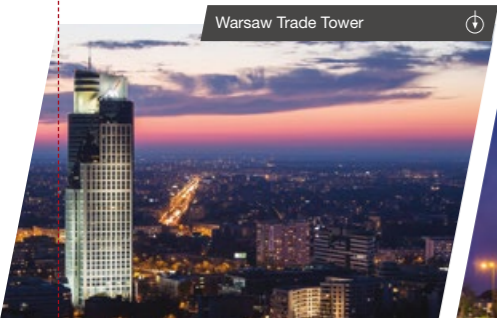
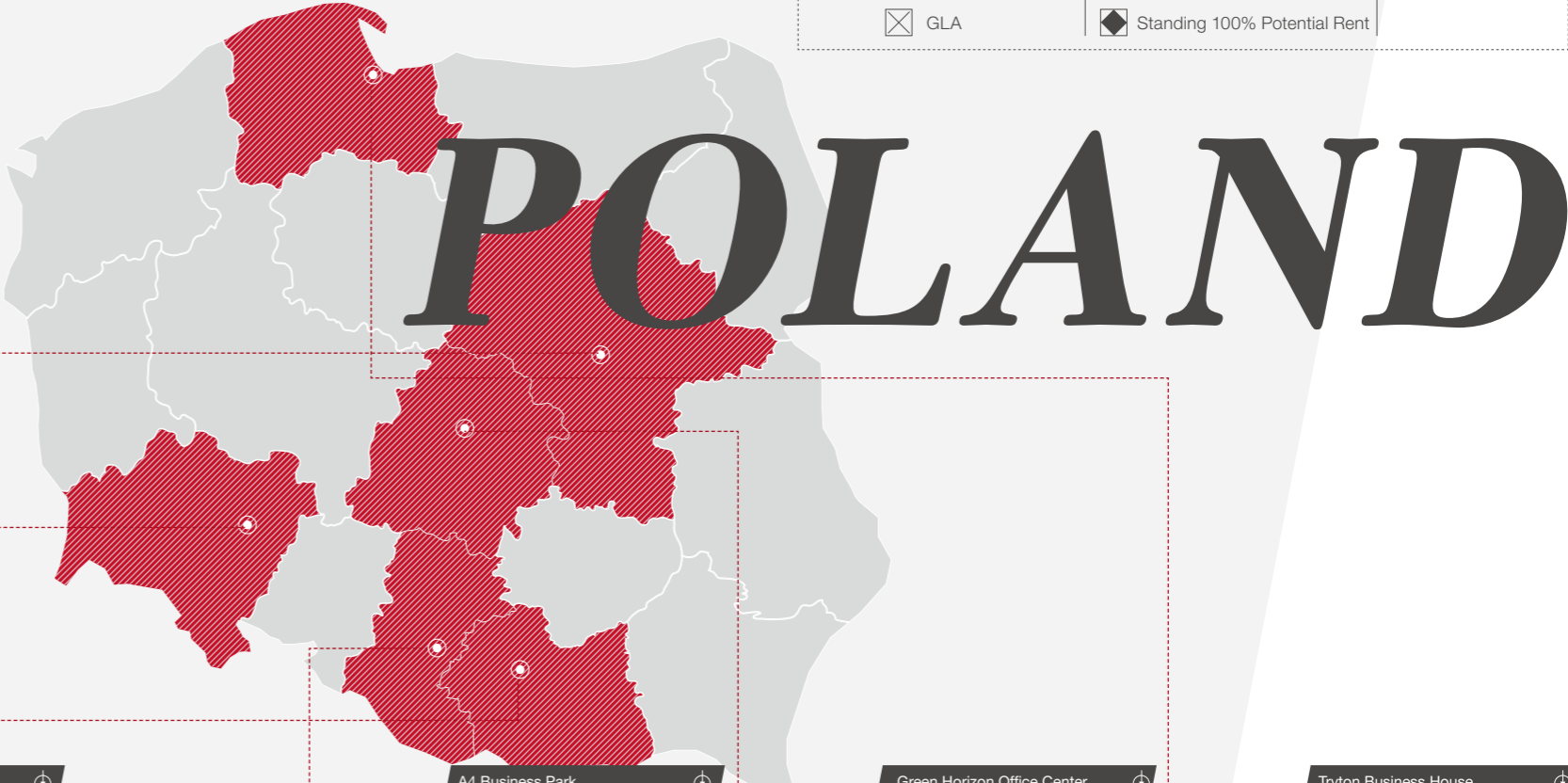
Standing 100% Potential Rent

⊠→

Future GLA

⬆→

Future ERV



Warsaw Trade Tower



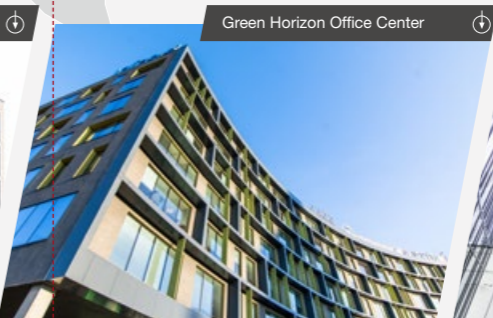
Quattro Business Park



West Gate



A4 Business Park



Green Horizon Office Center

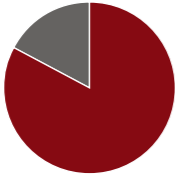


Tryton Business House

Warsaw

- ⊙ €715.6m
- 🏢 14
- ⊠ 210.9k sqm
- 👤 77.3%
- ◆ €37.6m
- ◆ €48.3m

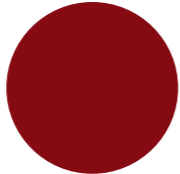
- Office – 83.0%
- Mixed-Use – 17.0%



Krakow

- ⊙ €341.7m
- 🏢 12
- ⊠ 150.1k sqm
- 👤 85.5%
- ◆ €22.3m
- ◆ €26.2m
- ⊠→ 17.7k sqm
- ⬆→ €3.1m

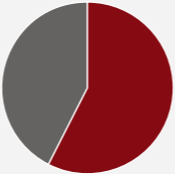
- Office – 100.0%



Wroclaw

- ⊙ €257.2m
- 🏢 3
- ⊠ 56.6k sqm
- 👤 98.1%
- ◆ €9.2m
- ◆ €9.4m
- ⊠→ 40.9k sqm (22.3k sqm contracted)
- ⬆→ €7.2m (€3.9m contracted)

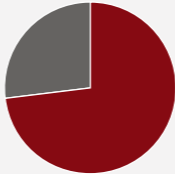
- Office – 57.5%
- Mixed-Use – 42.5%



Katowice

- ⊙ €173.6m
- 🏢 5
- ⊠ 63.3k sqm
- 👤 96.5%
- ◆ €10.0m
- ◆ €10.4m
- ⊠→ 24.3k sqm (20.8k sqm contracted)
- ⬆→ €3.6m (€2.9m contracted)

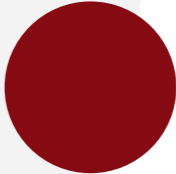
- Office – 73.1%
- Mixed-Use – 26.9%



Lodz

- ⊙ €68.0m
- 🏢 2
- ⊠ 35.5k sqm
- 👤 85.8%
- ◆ €4.5m
- ◆ €5.4m

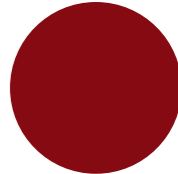
- Office – 100%



Gdansk

- ⊙ €56.7m
- 🏢 1
- ⊠ 25.6k sqm
- 👤 99.6%
- ◆ €4.3m
- ◆ €4.3m

- Office – 100%



GOVERNANCE

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CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT



Martin Bartyzal
Chair of the Board

We need to recognise the longer term trends and impacts for our strategy as the economy and the real estate market adapt to the new norms which will be established as a result of the pandemic.

Governance Highlights

- Priorities for the year were the oversight over Board changes and containing and mitigating its adverse effects of the COVID-19 pandemic.

DEAR SHAREHOLDER

I am delighted to write this introductory letter for the Globalworth 2021 Annual Report – my first letter since taking over from Geoff Miller as Chairman in December 2021. It is only right that I should begin this letter by reiterating the Board's sincere thanks to Geoff for his significant contribution to Globalworth over the eight years that he served on the Board – a period during which the Company became the leading presence in the Central European real estate market through its market-leading positions both in Poland and Romania. I look forward to building on the foundations laid during Geoff's chairmanship.

Reflecting back over 2021, the two predominant themes of the Board's discussions have been (i) Globalworth's ongoing response to, and emergence from, the COVID-19 pandemic and (ii) the Board's response to the cash offer from the CPI Property Group S.A. and Aroundtown SA (the "Consortium") for the entire issued share capital of Globalworth, announced in April 2021 (the "Offer"), which concluded during July.

COVID-19

Although Globalworth started 2021 having negotiated the most critical early-stage impacts of the COVID-19 pandemic, we needed to maintain our focus on containing and mitigating its adverse effects at both Board and management levels. Strategically, we continued to monitor the impact that COVID-19 has had on working patterns and retail behaviour in order to understand the new norms that are likely to emerge in the real estate market as a result. Although our central purpose, vision and values remain unchanged, we anticipate that there will be a need to underpin the entrepreneurial impetus which drove Globalworth's growth prior to the pandemic with solid and stable financial foundations in order to thrive in the new realities of our market. This will be an important area of focus for the Board in 2022.

It remains a continuing source of frustration that travel restrictions have prevented the Board members from meeting with the management team and visiting Globalworth's assets in person throughout the year; however we hope that this will change before too long.

Board Changes

As a result of the Offer, 90% of the Company's issued share capital is now held or controlled by the two companies making up the Consortium and also Growthpoint

Properties Ltd, and the composition of the Board has been set by these shareholders. Consequently, a number of changes to the composition of the Board and its committees were announced on 6 December 2021. I would like to thank each one of our outgoing directors for their respective contributions to the Board and its committees over the past few years and, during 2021, for their work as an independent committee of the Board during the Offer process. One of my priorities for 2022 will be to ensure that the Board and committees continue to settle quickly into their responsibilities and continue to establish good working relationships with each other and with the management team.

Stakeholders, Sustainability and Climate Change

There is no doubt that all of our stakeholders – employees, investors, tenants, other users of our assets, to name some, expect us to recognise and respect the long-term impacts of our operations on society and the environment. The management team lead our efforts to harness the technological solutions that are available to us to make our buildings as energy efficient as possible and mitigate adverse impacts on the environment. The Board will continue to challenge the management team to ensure that Globalworth embraces this challenge as fully and as speedily as possible.

This time last year, it was difficult to anticipate how markets would emerge out of the COVID-19 pandemic. There is still some uncertainty but it is becoming clear that there will be changes in the real estate markets in Poland and Romania that we will need to respond to. My Board colleagues and I are determined to work with the management team to ensure that our response supports the interests of all of our stakeholders to the fullest possible extent.

Martin Bartyzal
Chair of the Board
24 March 2022

CORPORATE GOVERNANCE REPORT

The Company has complied voluntarily with the main principles of good governance set out in the UK Corporate Governance Code (the “UK Code”) issued by the Financial Reporting Council in July 2018. The Board believes that the Company has complied throughout the year ended 31 December 2021 with the provisions set out in the UK Code, subject to the statements made below in this section.

The statements made below are all for the financial year ended 31 December 2021.

Board of Directors Introduction

In December 2021 there were a number of changes to the Board to reflect the Consortium’s (CPI Property Group S.A. and Aroundtown SA through their indirect ownership of Zakiono) majority shareholding in Globalworth.

As at 31 December 2021, the Board comprised the Chair, who is an independent Non-Executive Director, one Executive Director and eight other Non-Executive Directors (of which six are considered to be independent in accordance with the UK Code).

Chair

The Chair of the Board is Martin Bartyzal.

Senior Independent Director

Andreas Tautscher holds the role of Senior Independent Director, taking on this role following the resignation from the Board of John Whittle in December 2021.

Directors Directors’ Duties and responsibilities

The roles of Chair and Chief Executive are separate. The Chair leads Board meetings and Board discussions and has responsibility for the Board’s overall effectiveness in directing the Company. The Chief Executive is responsible for the achievement of the Group’s strategic and commercial objectives, within the context of the Group’s resources and the risk tolerances laid down by the Board.

The Directors are responsible for the determination and oversight of the Company’s investing policy and strategy and have overall responsibility for the Company’s activities, including the review of its investment activity and performance, and the activities and performance of the Management Team.

Each of the Directors is committed to their role and has sufficient time available to meet their Board responsibilities. The Board periodically reviews its policies, processes, information, time and resources to ensure that it is able to function effectively and efficiently.

Details on the profiles and experience of the Executive and Non-Executive Directors are set out on pages 84 and 85 of the Annual Report.

Committees of the Board

The committees of the Board comprise the Audit Committee, the Risk Committee, the Remuneration Committee, the Investment Committee and the Nomination Committee. The composition and the terms of reference of each of the Audit, Risk, Remuneration and Nomination Committees, and their work during the year, are provided in the respective reports for each Committee on pages 90-109 of the Annual Report. Committee meetings may be attended by non-members by invitation from the relevant Chair. Attendance by non-members is recorded in the relevant committee minutes.

Following the Board changes to reflect the Consortium’s (CPI Property Group S.A. and Aroundtown SA through their indirect ownership of Zakiono) majority shareholding in Globalworth, there were consequential changes to the Board committees, further details in respect of which are set out in in the respective reports for each Committee on pages 90-109 of the Annual Report. The composition of the Investment Committee also changed as a result, such that as at 31 December 2021 it comprised Favieli Stelian (Chair of the Committee), Dimitris Raptis, Norbert Sasse, David Maimon and Piotr Olendski. The terms of reference of the Investment Committee are available on the Company’s website. During the year, all matters within the remit of the Investment Committee were discussed and considered by the full Board.

Committee meetings of the Board are convened, when appropriate, to approve ad hoc matters between quarterly Board meetings, subject to authority levels, and comprise any two Directors (of which one should always be independent and the majority of which must not be resident in the UK for tax purposes).

In April 2021, an independent committee of the Board was established to consider the offer from the Consortium. The independent committee comprised Geoff Miller, John Whittle and Andreea Petreanu. There were three formal meetings of the independent committee during the period of the offer which were supplemented with numerous informal meetings and discussions.

Stakeholder engagement

A report on shareholder communications is considered at each quarterly Board meeting. Regular trading updates are posted on the Company’s website with commentary on significant events in the evolution of the Company’s portfolio and performance.

The Company’s senior management and its broker maintain regular dialogue with institutional shareholders, feedback from which is reported to the Board. In addition, Board members – led by the Chair – are available to answer shareholders’ questions at any time, and specifically at the Annual General Meeting (AGM). The Company Secretary is available to answer general shareholder queries at any time during the year.

The Board monitors activity in the Company’s shares.

Collectively, our team commits considerable energy to planning and implementing the asset management of each of our assets to ensure that our buildings remain suited to our tenants’ needs both today and in the future. We believe that being a good landlord is about creating great communities for our tenants and other users. We consider investment in energy-efficient properties as a business advantage, as it allows us to give back to local communities, our investors, our tenants, our partners and the people who work in or live nearby our buildings:

- local communities benefit from reduced carbon emissions generated from the use of the property.
- our tenants benefit from lower energy costs, positively impacting the profitability of their operations.
- those working in our buildings benefit from improved conditions thanks to temperature control and better flow and quality of air (which can also lead to improved productivity).
- our partners benefit by assisting us to develop, maintain and operate a green portfolio according to the respective specifications of each property.
- our investors benefit through the creation of long-term sustainable value in the portfolio.

With regard to the Globalworth workforce, we encourage open and constructive discussions throughout the Group and, in 2019, we periodically undertake an employee survey, the results of which help us understand how we can best provide a supportive workplace with career opportunities that enrich experience, develop skill sets and promote wellbeing.

We also have regular town hall meetings and, in non-COVID times, hold an annual off-site team building event to which all employees are invited. COVID travel restrictions permitting, we look forward to making arrangements as soon as possible and practicable for our non-executive directors to engage with our workforce during the year.

Workforce Policies and Practices

The Company is committed to conducting its business in an ethical manner, with integrity and in line with all relevant laws and regulations. The Group has in place a number of policies and procedures including policies and training on anti-bribery and corruption, whistleblowing, information security and GDPR. All employees are made aware of the Group’s policies on employment and this understanding is refreshed on no less than an annual basis. Employees also receive training appropriate to their roles and responsibilities throughout the year. During the year, and in line with the Board’s commitment to high standards of integrity compliance, the Board reviewed the Group’s written policies and procedures to ensure they remained proportionate and appropriate.



Board Meetings and Directors’ Attendance

The number of meetings of the Board of Directors attended by each Director, as applicable, during the year ended 31 December 2021 is set out below.

Director	Quarterly Board Meetings	Ad-hoc Board Meetings*	Board Meetings (Total)
Dimitris Raptis	4/4	8/9	12/13
Geoff Miller*	4/4	12/12	16/16
John Whittle*	4/4	12/12	16/16
Andreea Petreanu* **	4/4	12/12	16/16
Norbert Sasse	4/4	9/9	13/13
Richard van Vliet	4/4	9/9	13/13
Martin Bartyzal	4/4	9/9	13/13
David Maimon	4/4	9/9	13/13
Total Number of Meetings	4	12	16

* Three meetings were held by the independent committee formed to consider the offer for the Company from the Consortium.
** Andreea Petreanu was present at Board meetings as an observer due to restrictions on participation as a result of geographical location.

Where a Director was unable to attend a Board meeting, they were separately briefed on the business of the meeting and provided any views beforehand.

In addition to the above Board meetings, the Board also established an independent committee of the Board in April 2021 to consider the offer from the Consortium which met formally three times during the year and which was quorate on each occasion in accordance with the terms of that committee.

Board induction, Training and Development

On joining the Board, new members receive a comprehensive induction. Individual training needs are identified as part of the annual Board evaluation process and training takes place as required. All Directors receive regular updates on legal, regulatory and governance issues. During the year ended 31 December 2021, the Board considered papers and presentations on legal and regulatory developments including GDPR and modern slavery.

Directors are also entitled to seek independent advice in relation to the performance of their duties at the Company’s expense, subject to having first notified the Chair.

Nomination Committee and Board evaluation

The Nomination Committee consists of three independent Non-Executive Directors and, following the changes to the Board in December 2021, it is now chaired by Daniel Malkin although for the majority of the year it was chaired by Geoff Miller. The purpose of the committee is to consider the composition, skills and succession planning of the Board. The Consortium, through its ownership of Zakiono, and Growthpoint Properties Ltd have the power, as set out in the Articles, to appoint a certain number of Directors.

In December 2021 there were a number of changes to the Board to reflect the Consortium’s (CPI Property Group S.A. and Aroundtown SA through their indirect ownership of Zakiono) majority shareholding in Globalworth. These changes were discussed and approved by the Board.

The Board formally considers on an annual basis its effectiveness as a Board: its composition, diversity and how effectively members work together to achieve objectives. As part of this evaluation, it considers the combination of skills, experience and knowledge in relation to both the Board itself and also its committees. The Board considers that it has an appropriate balance of skills and experience in relation to the activities of the Company. The Chair evaluates the performance of each of the Directors on an annual basis, taking into account the effectiveness of their contributions and their commitment to the role. The performance and contribution of the Chair is reviewed by the other Directors. This formal evaluation is conducted by the Company Secretary circulating questionnaires seeking quantitative and qualitative feedback and reporting the outcomes to the appropriate Board members.

An evaluation of the performance of the Board members who served during the entire year ended 31 December 2021 has been undertaken. The performance of the Chair of the Board was also evaluated by the other Directors. The result of the evaluation carried out was that all directors’ performance is in line with the expectations set out at the point of their appointment to the Board.

Independence evaluation

The Board considers the independence of each member of the Board at each quarterly Board meeting and is of the view that Geoff Miller, as Chair, continued to demonstrate objective judgement during the period of his tenure during the year. Martin Bartyzal was appointed as Chair on 6 December 2021. Mr Bartyzal has been independent since his appointment and continues to demonstrate objective judgement. In addition, the Board considers that the majority of the Board comprises Non-Executive Directors who are independent of the Company and free from any relationship or circumstances which are likely to impair, or could appear to impair, the exercise of their independent judgement. With respect to Martin Bartyzal (who was appointed pursuant to the right of Zakiono to appoint a specified number of Directors according to its percentage shareholding in the Company), David Maimon (who sits on the advisory Board of Aroundtown SA, which is a member of the Consortium and an indirect substantial shareholder in the Company) and Richard Van Vliet (who was originally appointed pursuant to Growthpoint’s right to nominate a Guernsey-based Director), the Board believes that they can each be considered to be independent for the following reasons: none of them has any cross-directorships or significant links with any other Directors through involvement in other companies or bodies (other than Mr Van Vliet as a non-executive of a Growthpoint investment company but he has no other professional or personal connections with any of Growthpoint’s directors, officers or employees); there is continuing empirical evidence to demonstrate their independence in conduct, character and judgement. With respect to the four Directors appointed on 6 December 2021, Andreas Tautscher (appointed pursuant to Zakiono’s right to nominate a Guernsey-based Director) and Piotr Olendski, Daniel Malkin and Favieli Stelian (each of whom was appointed pursuant to the right of Zakiono to appoint a specified number of Directors according to its percentage shareholding in the Company), the initial assessment of the Board is that they can each be considered to be independent for the following reasons: none of them has any cross-directorships or significant links with any other Directors through involvement in other companies or bodies; and an assessment of empirical evidence demonstrating their independence in conduct, character and judgement is ongoing.

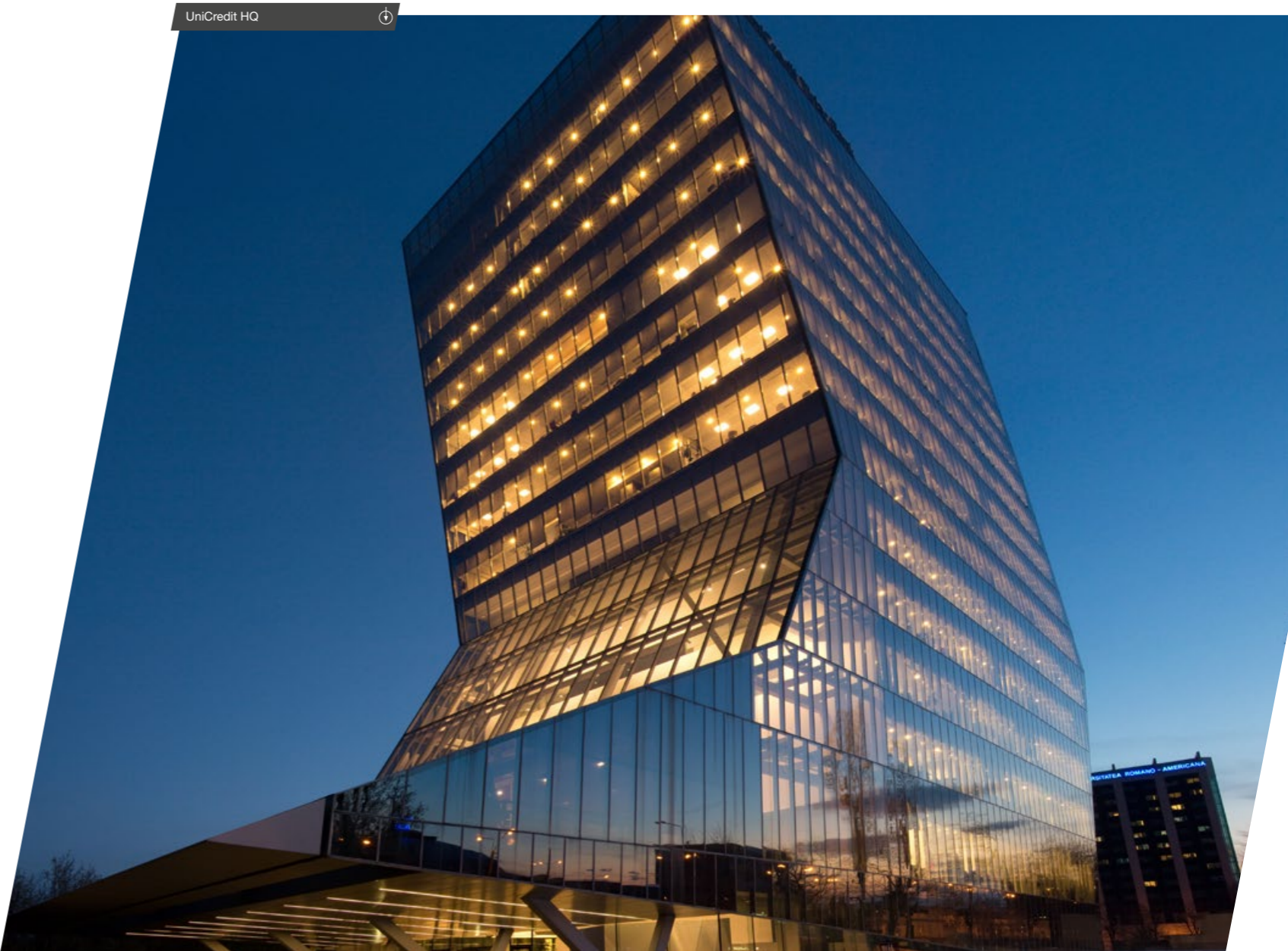
Tenure and re-election of Directors

In accordance with the Company’s Articles, Non-Executive Directors shall retire from office annually and may offer themselves for re-election by shareholders, except for: Martin Bartyzal, Piotr Olendski, Daniel Malkin and Favieli Stelian (each appointed pursuant to the right of Zakiono to appoint a specified number of Directors); Norbert Sasse and George Muchanya (each appointed pursuant to the right of Growthpoint Properties Ltd to appoint a specified number of Directors); Andreas Tautscher (appointed pursuant to Zakiono’s right to nominate a Guernsey-based Director); and Richard van Vliet (appointed pursuant to Growthpoint’s right to nominate a Guernsey-based Director). At the next AGM, David Maimon is required to retire from office and offer himself for re-election and he will therefore stand for re-election at the forthcoming AGM. The Board has reviewed his skills and experience and is recommending his re-election to shareholders.

At the next AGM, Dimitris Raptis is not required to submit himself for re-election, unless required to do so by a two-thirds vote of the shareholders of the Company.

Diversity

We believe in respecting individuals and their rights in the workplace. Further details are provided on page 64 of the Annual Report.



THE RIGHT BLEND OF SKILLS AND EXPERIENCE



Dimitris Raptis
Chief Executive Officer

Appointed
14 February 2013

Skills & experience
Mr Raptis, a seasoned business leader with 25 years of experience in the financial services and real estate industries, is the CEO of Globalworth Group.

He joined the Group at incorporation in 2012 as Deputy CEO and Chief Investment Officer and held the position of Co-CEO between March and December 2020. During this period, he was primarily responsible for acquisitions and developments worth €2.7 billion, the raising of €5 billion of equity and debt capital, as well as the Group's Polish business.

Mr Raptis joined Globalworth from Deutsche Bank where he spent 16 years as a senior member of its real estate investment management group ("RREEF"), having managed and executed transactions worth in excess of €12 billion. His last position was Managing Director and European Head of RREEF's real estate private equity group.

Mr. Raptis has a First Class (HONS) BSc in Banking and International Finance from City University Business School London.

Committee membership
I Re



Martin Bartyzal
Independent Non-Executive Director & Chair of the Board

Appointed
23 April 2020

Skills & experience
Mr Bartyzal has over 25 years of international experience in finance and banking in Central and Eastern Europe. He has broad experience in structured financing, capital markets, corporate finance, and risk management across sectors in the CEE region and has worked on a number of projects with major real estate companies in Central and Eastern Europe. Martin held various positions in corporate and investment banking at Deutsche Bank in the CEE region and also managed the business of Deutsche Bank in the Czech Republic as Chief Country Officer between 2009 and 2018. He holds a Master's degree from the Economic University in Prague and is a member of the Czech & Slovak Chapter of YPO.

Committee membership
Re Ri



Norbert Sasse
Non-Executive Director

Appointed
27 February 2017

Skills & experience
Mr Sasse has nearly 30 years of experience in real estate and corporate finance. Norbert is the Group Chief Executive Officer of Growthpoint Properties ("GRT"), South Africa's largest REIT. He was instrumental in growing its portfolio to over ZAR 160 billion (c.€9bn), holding investments in South Africa, Australia, CEE and the UK. Prior to GRT he spent 10 years with EY Corporate Advisory and Investec Corporate Finance. He is also a Chartered Accountant.

Committee membership
I



George Muchanya
Non-Executive Director

Appointed
6 December 2021

Skills & experience
Mr Muchanya is Head of Corporate Finance at GRT and is a member of its Executive Committee. He has 25 years' experience spanning engineering, management consulting and real estate. George holds a BSc in Engineering from the University of Natal, MBA from Wales University, a certificate in Corporate Finance from the London Business School, as well as a leadership certificate from Harvard Business School.

Committee membership
N



Richard van Vliet
Independent Non-Executive Director

Appointed
27 February 2017

Skills & experience
Mr van Vliet is qualified as a Chartered Accountant in South Africa, England and Wales, with over 35 years of professional experience. Richard has been a Guernsey resident since 1997 and is Managing Director of Cannon Asset Management Limited. He is Chairman of The Cubic Property Fund, holds various Board positions on companies and investment funds exposed to property, equity and alternative investments, and sits on operational Boards of the subsidiaries of the LSE-listed Stenprop Limited. Previously he worked in South Africa at Price Waterhouse and was sole proprietor of an audit practice in Johannesburg.

Committee membership
A Re Ri



David Maimon
Independent Non-Executive Director

Appointed
28 May 2020

Skills & experience
Mr Maimon serves as a member of the Advisory Board of Aroundtown SA and Grand City Properties S.A., and is a Supervisory Board member at TLG Immobilien AG – all public companies traded on the Prime Standard of the Frankfurt Stock Exchange. As a member of such Advisory Boards, he provides expert advice and assistance to the Board of Directors. In the past, David was the President and CEO of EL AL Airlines from 2014 to 2018. Prior to that, he was EVP of Commercial & Industry Affairs, Sales & Marketing and Customer Service in EL AL Airlines and served as a Director in various commercial companies such as Leumi Gemel Ltd, Hever and Sun D'Or International Airlines.

Committee membership
I Ri



Andreas Tautscher
Senior Independent Director (Non-Executive)

Appointed
6 December 2021

Skills & experience
Andreas Tautscher is an experienced Financial Services former executive who now focuses on acting as an independent director for listed and private funds, as well as other regulated businesses. He is currently a Director and Chairman of the Audit Committee of MJ Hudson PLC, an AIM listed provider of services to alternative Asset Managers. He also sits on the boards of Doric Nimrod Air 1, 2 and 3, which are LSE-listed aircraft leasing funds.

From 1994 until 2018, Andreas was a senior executive at Deutsche Bank and was most recently CEO of Channel Islands and Head of Financial Intermediaries for EMEA and LATAM. He has experience across the full spectrum of funds, trust and banking services in most of the major financial centers. He also sat on the UK Regional Governance Board of Deutsche and the EMEA Wealth Management Exco.

He has also served on local government advisory committees and was for six years a Non-Executive Director on the Board of Virgin Group.

Committee membership
A N



Piotr Olendski
Independent Non-Executive Director

Appointed
6 December 2021

Skills & experience
Piotr Olendski is currently serving as Management Board Member and Chairman of the supervisory boards of several Polish companies in the renewable energy sector. Prior to this, he was a Managing Director in PZU SA in charge of property and casualty corporate insurance and Deputy Chairman of the Supervisory Board of PZUW SA (a subsidiary of PZU). Prior to PZU, Mr Olendski worked for 19 years for Deutsche Bank Polska SA, including acting as Management Board Member responsible for investment banking for seven years.

Committee membership
Re



Daniel Malkin
Independent Non-Executive Director

Appointed
6 December 2021

Skills & experience
Daniel Malkin is an independent Director and member of the audit committee at Grand City Properties SA. He is also the co-founder and Managing Director at SIMRES Real Estate SARL. Before joining Grand City, Mr Malkin served as an independent Investment and Fund Manager of fixed income investment funds at Excellence Investment Bank and he has also served on the Board of Directors of several other Luxembourg companies. He holds a BA in Business Administration.

Committee membership
A N Ri



Favieli Stelian
Independent Non-Executive Director

Appointed
6 December 2021

Skills & experience
Favieli Stelian has over 25 years of international experience in real estate, renewable energy, business, finance and accounting. Today living in Romania, he is the Managing Partner of Nofar Energy.

From 2010 until the end of 2021, he has been the CEO of Shikun & Binui Romania (listed on the stock exchange in Israel). Prior to that, Mr Stelian was a Director or manager of several Israeli companies both in Israel and Romania. Mr Stelian has a Master's degree in Law from Bar-Ilan University, specialising in capital funds, intellectual property, international commerce. He also has a Bachelor's degree in Business Administration and is a certified public accountant.

Committee membership
I Re

Committee membership

A Audit
I Investment
N Nomination

Re Remuneration
Ri Risk
○ Committee Chair

DIRECTORS' REPORT

The Directors present their Annual Report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

Directors' Indemnities

The Company maintains a directors' and officers' insurance policy for the benefit of its Directors, which applied throughout the year and remains in force at the date of this report. There are also third-party indemnity provisions in place for the Directors in respect of liabilities incurred as a result of their office, as far as is permitted by law.

Investing Policy

The Group's investing strategy focuses on generating attractive risk-adjusted returns, made up of a combination of yield and capital appreciation, by investing in a diversified portfolio of properties. Key highlights of the Company's Investing Policy are presented below:

Profile of Underlying Investments

- focus on commercial properties (existing or to be developed);
- geographically located in Central Eastern Europe with a primary focus on Romania and Poland;
- most of the income to be derived from multinational corporates and financial institutions; and
- euro-denominated, long-term, triple net and annually indexed leases, with corporate guarantees where possible.

Investment Themes

- distressed investments;
- acquisition of unfinished or partially let commercial buildings at prices below replacement cost;
- restructuring;
- acquisition of real estate owned by financial institutions or others seeking to restructure their balance sheets through monetisation; and
- developments with pre-lettings from high-quality tenants.

The complete Investing Policy of the Company can be found on its website under Investor Relations/AIM Rule 26 disclosures and on page 181 of the Annual Report.

Results and Dividends

The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 112 of the Annual Report.

The Company has already distributed in October 2021 and will distribute in April 2022 interim dividends of €0.15 per share and €0.13 per share, respectively, or €0.28 per share in total, in respect of the year ended 31 December 2021, to holders of shares at the respective record dates for each such interim dividend.

Going Concern

As disclosed in note 1 of the Consolidated Financial Statements, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the consolidated financial statements as the Company expects to have access to adequate financial resources to continue in operational existence for the foreseeable future.

Supply of Information to the Board

The Board meetings are the principal source of regular information for the Board, enabling it to determine policy and to monitor performance and compliance. A representative of the Investment Adviser attends each Board meeting, thus enabling the Board to discuss fully and review the Company's operations and performance. Each Director has direct access to the Company Secretary and may, at the expense of the Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

Investment Adviser

Under the Investment Advisory Agreement, the Company has appointed the Investment Adviser, a wholly owned subsidiary of the Group, subject to the overall control and supervision of the Board of the Company, to act as investment adviser.

The Investment Adviser has no authority to act for or represent the Company (or any other member of the Group) in any other capacity. The appointment is on an exclusive basis.

The Investment Adviser is obliged to advise in respect of potential and actual investments of the Company in pursuit of the Company's Investing Policy, subject to any applicable investment restrictions and having regard to any investment guidelines. Investment advice and opportunities are presented for consideration/approval to the Investment Committee (or directly to the Board if above certain thresholds or otherwise deemed desirable or appropriate).

Subject to any applicable law, the Investment Adviser complies with all reasonable instructions issued by the Investment Committee or the Board, if above certain thresholds (so long as these are not outside the Investing Policy as set out on the Company's website under Investor Relations/AIM Rule 26 disclosures or contrary to the exclusivity of the Investment Adviser in relation to the Company's investment activities).

The Investment Adviser is entitled to fees as approved by the Board, following recommendation by the Remuneration Committee of the Board. At quarterly Board meetings the Investment Adviser summarises its activities, proposals and achievements and the independent Directors review the performance of the Investment Adviser and the Executive Director in relation thereto. Having considered the portfolio performance and investment strategy, the Board has agreed that the interests of the shareholders as a whole are best served by the continuing appointment of the Investment Adviser on the terms agreed.

Substantial Interests

At 31 December 2021 and 24 March 2022, the Company has been notified that the following shareholders had substantial interests (3% or more) in the issued share capital of the Company:

	at 24 March 2022		31 December 2021	
	Number of shares	% of issued share capital of the Company	Number of shares	% of issued share capital of the Company
Zakiono Enterprises Ltd	134,347,223	60.6%	134,347,223	60.6%
Growthpoint Properties Ltd	65,238,742	29.4%	65,238,742	29.4%
Oak Hill Advisors	11,665,106	5.3%	11,665,106	5.3%

Directors' Interests

The beneficial and non-beneficial interests of the Directors in the share capital of the Company as at 31 December 2021 and 2020 are as set out below:

	Number of shares held	
	2021	2020
Dimitris Raptis	—	732,070
Martin Bartyzal	—	—
Norbert Sasse	114,286	114,286
Richard van Vliet	—	—
David Maimon	—	—
George Muchanya	—	—
Andreas Tautscher	—	—
Piotr Olendski	—	—
Daniel Malkin	—	—
Favieli Stelian	—	—

Warrants

As at 31 December 2021, a number of warrants were held by Zakiono Enterprises Limited. Pursuant to the warrant agreement, the warrants confer the right to subscribe, at the Placing Price, for a specific number of ordinary shares.

Non-Executive Directors' Warrants

On 24 July 2013 the Company entered into a warrant agreement with inter alia Geoff Miller and John Whittle under which the Company agreed to issue to such persons at, and subject to, admission, warrants over 11,000 and 9,000 (respectively) ordinary shares, subject to the market price per ordinary share being at least €7.50 as a weighted average over a period of 60 consecutive days. In each case, the subscription price was to be €5.00. These warrants vested and were exercised during the year.

Zakiono Warrants

On 24 July 2013 the Company entered into a warrant agreement with Mr Ioannis Papalekas, the Company's founder, and Zorviani Limited (a company owned by Mr Papalekas). The rights and obligations under the warrant agreement were subsequently transferred from Zorviani Limited to Zakiono Enterprises Limited.

As at 31 December 2021 the 2,830,020 outstanding Zakiono warrants, are still held by Zakiono, a company indirectly owned by the Consortium (CPI Property Group S.A. and Aroundtown SA), and remain unvested in two tranches.

The Zakiono warrants, subject to vesting, are exercisable in whole or in part during the period which commenced on Admission and ends on the date falling 10 years from the date of Admission. The warrants are exercisable subject to the market price per ordinary share being at least €10.00 and €12.50 (respectively) for each of the two remaining tranches as a weighted average over a period of 60 consecutive days. In each case, the subscription price will be €5.00.

Auditors

The auditors, Ernst & Young Cyprus Limited, have indicated their willingness to continue in office. Accordingly, a resolution for their reappointment will be proposed at the forthcoming AGM.

Power to Buy Back Shares

The Company has the power to buy back shares in the market, the renewal of which power is sought from shareholders on an annual basis at the AGM, and the Board considers on a regular basis the exercise of those powers. During the year ended 31 December 2021, the Board did not exercise its power to buy back shares in the market.

At the 2021 AGM, the Directors were given power by the shareholders to make market purchases of ordinary shares representing up to 14.99% of its issued capital at that time, being 33,216,186 ordinary shares. This authority will also expire at the 2022 AGM and it is proposed that the renewal of the authority will be sought.

Further details relating to share capital, including movements during the year, are set out in note 21 of the consolidated financial statements on page 146.

Annual General Meeting

The AGM of the Company will be held on 20 June 2022 at 10 am British summer time at Anson Court, La Route Des Camps, St Martin, Guernsey.

Statement of Directors’ Responsibilities

The Directors are responsible for preparing the Directors’ Report and the Consolidated Financial Statements in accordance with applicable law and regulations.

The Directors are required to prepare consolidated financial statements for each financial year in accordance with International Financial Reporting Standards (“IFRS”) and applicable law. The Company continues to report under IFRS as adopted by the European Union (“EU”).

The consolidated financial statements are required by law to give a true and fair view of the state of affairs at the end of the year and of the profit or loss for that year.

- in preparing these consolidated financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
 - make judgements and estimates that are reasonable and prudent;
 - state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
 - prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that the Company maintains proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the consolidated financial statements comply with the Companies (Guernsey) Law 2008, as amended. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

- The Directors confirm to the best of their knowledge that:
- so far as each of the Directors is aware, there is no relevant audit information of which the Company’s auditor is unaware, and each has taken all the steps he or she ought to have taken as a Director to make himself or herself aware of any relevant information and to establish that the Company’s auditor is aware of that information;
 - these consolidated financial statements have been prepared in conformity with IFRS, as adopted by the EU, and give a true and fair view of the financial position of the Group; and
 - this Annual Report and consolidated financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Company’s position, performance, business model and strategy.

Approved by the Board of Directors and signed on behalf of the Board on 24 March 2022.



Martin Bartyzal
Director
24 March 2022



LETTER FROM THE CHAIR OF THE COMMITTEE



Andreas Tautscher
Chair of the Audit Committee

The Audit Committee will continue to take a probing and realistic approach to our work to ensure, to the best of our ability, that Globalworth continues to be a financially resilient and sustainable business.

Highlights

- Continued scrutiny over the financial statements' preparation and audit process; and
- Increased focus on corporate and financial reporting requirements in response to new developments.

Membership and Attendance

Director	Position	Date of Committee appointment	Date of Committee resignation	Attendance
Andreas Tautscher	Chair (from 6 Dec. 21)	6 Dec. 21		–
John Whittle	Chair (until 6 Dec. 21)	6 Jun. 13	6 Dec. 21	4/4
Andreea Petreanu	Member	8 Jun. 15	6 Dec. 21	4/4
Richard van Vliet	Member	27 Feb. 17		4/4
Daniel Malkin	Member	6 Dec. 21		–
Total Number of Meetings				4

DEAR SHAREHOLDER

I am very pleased to be able to present my first report as Chair of the Audit Committee. Following my appointment at the end of last year I have been getting up to speed on the activities and work of the Committee. I have been supported by my predecessor, John Whittle, as well as other Board members, the management team and the Audit Partner and team at EY all of which has been most helpful. As a result of those conversations, I believe that the Committee has developed a solid regular programme of activity and good committee processes which will provide a good platform for continuity as we emerge from a period of change at Board and management levels.

The Audit Committee's primary areas of focus have not changed much compared to last year; the impact of the COVID-19 pandemic and building valuations continue to dominate the assessment of audit risk and consequential audit focus. There have been some specific issues to consider during the audit, such as the treatment of costs associated with the takeover bid during 2021, which we have been able to work through constructively with EY. More generally, with Globalworth's cash position being relatively strong and occupancy rates beginning to recover, the backdrop to the 2021 year-end audit is more encouraging compared to that which my predecessor described in last year's report for the 2020 year-end audit. In terms of emerging risks we are currently assessing the potential short term and long term impacts of the crisis in Ukraine. Currently we do not see any direct impact on our activities but we must keep this closely monitored.

In the medium term we expect the regulatory environment to require the Committee, the management team and the external auditor to further evaluate aspects of our corporate and financial reporting in response to new developments. In particular, the impact of environmental, social and governance ("ESG") factors on Globalworth's reporting and the underlying processes will require continuing scrutiny. In this regard, I look forward to working with the chairs of the other Board committees to ensure that we take a co-ordinated approach to ESG matters across our respective committees.

For now, my priority is to continue working with the management team, the external auditor and Board colleagues to build up my knowledge of Globalworth's financial management and reporting, as well as getting to know the business more generally, with opportunities for face-to-face meetings and site visits becoming a more likely possibility in the coming months. Finally, I would like to thank the work and service of Andreas Papadopoulos who has decided to step down after eight years as CFO and he will be missed. He has supported the impressive growth of Globalworth from its early days and ensured that a solid team of finance and accounting professionals will continue his work in the areas under his primary responsibility.

Andreas Tautscher
Chair of the Audit Committee
24 March 2022

Structure and Composition

During 2021 and until 6 December 2021 the Audit Committee comprised three independent Non-Executive Directors: John Whittle (Chair of the Audit Committee), Andreea Petreanu and Richard van Vliet. On 6 December 2021, following the resignation of John Whittle and Andreea Petreanu, Andreas Tautscher succeeded John Whittle as Chair of the Committee, and Daniel Malkin was appointed as member of the Committee.

The Chair of the Committee is appointed by the Board, and the members are appointed by the Board, in consultation with the Chair of the Committee. In compliance with the UK Corporate Governance Code, the terms of reference of the Committee state that it should comprise at least three independent Non-Executive Directors.

All members of the Committee are independent Non-Executive Directors with recent, relevant financial experience, following the requirement of the UK corporate governance code that at least one member of the Audit Committee should have recent and relevant financial experience. The profiles of the Chair and other members of the Committee, including their relevant experience, are presented in the Board of Directors sub-section of the Annual Report (pages 84 and 85).

The dates of appointment and resignation of the members of the Committee, together with attendance at Committee meetings during the year, are outlined in the table on the previous page.

The role of the Committee includes the following:

Financial Reporting:

- monitoring the integrity of the consolidated financial statements and any formal announcements regarding financial performance;
- reviewing and reporting to the Board on the significant issues and judgements made in the preparation of the Group's published financial statements, preliminary announcements and other financial information having regard to matters communicated by the independent auditors; and
- assessing whether the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Controls and Safeguards:

- reviewing the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensuring that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action; and
- considering annually whether there is a need for the Company to have its own internal audit function.

External Audit:

- reviewing the effectiveness of the external audit process and the auditor's independence;
- considering and making recommendations to the Board on the appointment, reappointment, replacement and remuneration of the Company's independent auditor;
- developing and implementing a policy on the engagement of the external auditor to supply non-audit services; and
- reporting to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

Further details of the Committee's formal duties and responsibilities are set out in the Committee's terms of reference, which can be found on the Company's website.

Activities of the Committee

During the year ended 31 December 2021 and up to the date of this report, the Committee has been active in the following areas, presented below under the three key areas of focus of financial reporting, controls and safeguards, and external audit:

Financial Reporting:

- reviewed the Annual Report and consolidated financial statements for the years ended 31 December 2020 and 31 December 2021 prior to their approval by the Board; and
- reviewed the Interim Report and unaudited interim consolidated financial statements for the half year ended 30 June 2021 prior to its approval by the Board.

The Committee has had regular contact with management during the process of preparation of the Annual Report and consolidated financial statements and the auditor during the audit thereof. In planning its work and reviewing the audit plan with the auditor, the Committee took account of the most significant issues and risks, both operational and financial, likely to have an impact on the Group’s financial statements and selected the most significant issues impacting the Company’s financial statements and Annual Report disclosures, as presented in the following table together with the Committee’s response thereon:

Significant Financial Reporting Matters Considered	Audit Committee Response
<p>Investment Property Valuations</p> <p>Valuations for investment property, property under construction and land bank are prepared by external valuers. The valuation of the investment property is inherently subjective, requiring significant estimates and assumptions by the valuer. Errors in the valuation could have a material impact on the Group’s net assets value. Further information about the portfolio and inputs to the valuations are set out in notes 3 and 4 of the consolidated financial statements.</p> <p>The potential effects of the COVID-19 pandemic on the global real estate market has increased the level of attention and scrutiny over the independent valuations performed by qualified, independent and experienced valuers in the two markets where our Group’s properties are located.</p>	<p>The Board and the Committee discuss the outcome of the valuation process and the details of each property on a semi-annual basis. The management liaises with valuers on a regular basis and meet them on a semi-annual basis prior to the finalisation of the portfolio valuation.</p> <p>The external auditor has access to the external valuers and comments on the key assumptions used in the valuations performed and movements on property values.</p> <p>The Committee receives a detailed written report from Ernst & Young (“EY”) presented to the Committee upon finalisation of the audit fieldwork.</p>
<p>Accounting for Acquisitions and Disposals</p> <p>The Committee notes that there is judgement involved in identifying and valuing the consideration given and the fair value of the assets acquired in a business combination, or in the acquisition of assets.</p> <p>The Committee also notes that there is judgement involved in the accounting for disposals, particularly around the valuation of the consideration receivable.</p>	<p>There were only acquisitions of two logistics properties in Romania during the year ended 31 December 2021 of an insignificant value compared to the carrying value of investment property at 31 December 2021. However, as in 2021 a pre sale and purchase agreement was concluded for the disposal of five properties in Poland, the Committee discussed with management the requirement for presentation of these assets and related liabilities under assets held for sale in the consolidated statement of financial position and related note in the consolidated financial statements.</p>
<p>Revenue Recognition</p> <p>The Committee understands the importance of recognising accurately the revenue generated as a result of the rental contracts the Group has entered with the tenants of its properties. This includes the correct accounting under IFRS of lease incentives and any other special clauses contained in lease agreements, as well as the correct application of new IFRSs related to accounting for lease agreements.</p> <p>Following the outbreak of the COVID-19 pandemic, management has been very active in negotiations with tenants primarily on the extension of lease agreements, which resulted in modifications in an increased number of lease agreements, compared to the pre pandemic period, therefore, the Committee and the auditors have increased their attention in this area.</p>	<p>The Committee continued the discussion with management on the application of the amendments to IFRS 16 Leases in the context of the COVID-19-related tenant incentives.</p> <p>In addition, the Committee is updated by the auditor annually on the results of the specific audit procedures performed in this area, which, as anticipated, were more stringent this year as a result of the modifications made in an increasing number of lease agreements.</p>
<p>Exceptional, Non-Recurring expenses</p> <p>The Committee considered the importance of the accounting treatment followed and disclosures made in relation to the exceptional, non-recurring expenses incurred in connection with the offer for Globalworth shares made in May 2021.</p>	<p>The Committee has requested from management a memorandum on the accounting treatment followed in connection with these expenses.</p> <p>In addition, the external auditor has considered the appropriateness of the related accounting treatment followed and disclosures made in the notes to the financial statements, and as part of their assessment has discussed the matter with the Independent Committee formed to respond to the offer for Globalworth shares in order to understand the nature of the expenses incurred in conjunction with the review of available supporting documentation.</p>

Significant Financial Reporting Matters Considered	Audit Committee Response
<p>Going Concern Principle</p> <p>The Committee considers the appropriateness of preparing the Group’s financial statements on a going concern basis, being one of the fundamental principles under which the financial statements are prepared.</p>	<p>The Committee has considered management’s assessment and conclusion of continuing to use the going concern assumption as a basis of preparation of the Company’s financial statements, as supported by detailed cash flow projections for the period up to 31 March 2023 and supporting documentation.</p> <p>Following their review of management’s assessment, the Committee concurred with management’s conclusion to continue using the going concern assumption as a basis of preparation of the Company’s financial statements.</p>
<p>Underlying Cash Flow Projections and Sensitivity Analysis Supporting the Viability Statement</p> <p>The Committee considers whether the assessment undertaken by management regarding the Group’s long-term viability appropriately reflects the prospects of the Group and covers an appropriate period.</p> <p>Attention was placed by the Committee and the auditors on the sensitivity of the viability analysis to significant inputs and assumptions that may be affected due to the potential ongoing, medium-term, effects that the COVID-19 pandemic may have on the real estate sector in particular.</p>	<p>The Committee has considered management’s viability analysis, including the underlying cash flow projections for the three-year period to 31 March 2025, sensitivity analysis, results and conclusion.</p> <p>Following their review of the viability analysis, the Committee concurred with management’s conclusion as reflected in the viability statement on page 58.</p>
<p>Fair, Balanced and Understandable Principle</p> <p>The Committee considers whether the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company’s performance, financial position, business model and strategy.</p>	<p>The Committee, in reviewing the Company’s Annual Report and consolidated financial statements for the year ended 31 December 2021, has placed particular attention in ensuring adherence to this principle.</p> <p>Following its review, the Committee has advised the Board that, in its opinion, the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Company’s performance, operating model and strategy.</p>

Controls and Safeguards:

Reviewed the risk matrix used to identify and monitor the significant risks encountered by the Group, as well as the analysis underlying the viability report.

Considered whether there is a need for an internal audit function:

- the Committee has not identified to date an imminent need for an internal audit function, however, it continues to evaluate this requirement on a regular basis.

External Audit:

Held regular meetings and discussions with the external auditor:

- At the planning stage of the audit for the year ended 31 December 2021, the Chair of the Committee held a video call with the auditor in December 2021 at which the draft audit plan was presented by the auditor, reviewed and discussed. In addition, a discussion was held regarding the risks on which the audit would be focusing. Following the video call with the auditor, the Chair of the Committee updated the other members of the Committee accordingly.
- Also, at the end of the audit, at the reporting stage, before the approval of the Company’s consolidated financial statements and Annual Report for the year ended 31 December 2021, the Committee discussed with the auditor the work performed under the key areas of focus identified at the audit planning phase and the results of the auditor’s work.

The auditor explained that the risks the audit would focus on were the following:

- valuation of investment property whether in use or under development;
- revenue recognition: accounting for lease incentives, including impact on valuation adjustments; and
- risk of misstatement due to fraud and error (associated to the significant risks).

Moreover, the Committee held in March 2022 a meeting with the external auditor and discussed the findings from their audit of the consolidated financial statements for the year ended 31 December 2021, prior to publication of the preliminary results for the year ended 31 December 2021.

During March 2022 the Committee also held a video call with the external auditor to discuss in detail the audit findings and the draft auditor’s report, following the conclusion of their audit fieldwork for the year ended 31 December 2021, prior to submission of the draft Annual Report to the Board for formal approval.

Assessed the Independence and Objectivity of the External Auditor:

The Committee considers the reappointment of the external auditor, including rotation of the audit partner.

The Committee will continue to follow the developments around the financial reporting council's ("FRC") related guidance on tendering at the appropriate time.

In addition, the external auditor is required to rotate the audit partner responsible for the Group's audit every seven years. This is the fifth year that the current lead audit partner is responsible for the Group's audit.

The Auditor has confirmed to the Audit Committee its independence of the Group. The independence and objectivity of the independent auditor is reviewed by the Committee, which also reviews the terms under which the independent auditor is appointed to perform non-audit services, in accordance with the Company's non-audit services policy.

Services which are permissible in accordance with the auditor's independence and other professional standards as well as the Company's non-audit services policy, such as tax compliance, special purpose audits and reviews, assurance non-audit services related to raising of bond notes, periodic reviews of financial information, and pre-acquisition due diligence reviews, are normally permitted to be performed by the independent auditor.

Audit Fees and Non-Audit Services

The table below summarises the remuneration of Ernst & Young Cyprus Limited and other entities of EY during the years ended 31 December 2021 and 31 December 2020:

	audit fees €'000		non-audit fees €'000	
	2021	2020	2021	2020
Audit of financial statements	700	700	–	–
Other assurance services	–	–	–	100
Other non-audit services	–	–	51	51
Total	700	700	51	151

The Committee has reviewed the level of non-audit fees of the external auditor for the year ended 31 December 2021 and has considered that they are in line with the Group's level of activity, and concluded that they relate to permissible non-audit services under the auditor's independence and other related professional standards.

Reviewed the Effectiveness of the External Auditor and Recommended its Reappointment to the Board:

For the year ended 31 December 2021 the Committee reviewed the effectiveness of the external auditors. This was facilitated through: the completion of a questionnaire by the relevant stakeholders (including members of the Committee and key financial management of the Group); interviews with finance staff; and a review of the audit plan and process for the year. In addition, as outlined above, the Committee discussed with the external auditor in March 2022 their preliminary findings on the audit of the consolidated financial statements for the year ended 31 December 2021. Furthermore, the Committee discussed with the external auditor at the end of March 2022 their final findings on the audit of the Annual Report and consolidated financial statements for the year ended 31 December 2021 and their draft audit opinion thereon.

Local statutory audits of individual subsidiary companies are also required in some jurisdictions in which the Group operates. EY Romania, EY Poland and EY Cyprus carry out these audits in Romania, Poland and Cyprus, respectively.

Following this review, the Committee recommended to the Board that Ernst & Young Cyprus Limited be reappointed as external auditors for the year ending 31 December 2022.

For any questions on the activities of the Committee not addressed in this report, a member of the Audit Committee remains available to attend each annual general meeting to respond to such questions.

Andreas Tautscher
Chair of the Audit Committee
24 March 2022



LETTER FROM THE CHAIR OF THE COMMITTEE



David Maimon
Chair of the Risk Committee

The pandemic has focused our attention on the need to ensure that our approach to risk is proactive and adaptable so that we continue to improve our ability to identify and evaluate emerging sources of risk.

Highlights

- Reassessment of risks throughout the COVID -19 pandemic; and
- Continuous engagement with management, especially in the period following the COVID -19 pandemic outbreak.

Membership and Attendance

Director	Position	Date of Committee appointment	Date of Committee resignation	Attendance
David Maimon	Chair (from 6 Dec. 21)	29 May 20	–	3/3
Andreea Petreanu	Chair (until 6 Dec. 21)	1 Nov. 19	6 Dec. 21	3/3
Richard van Vliet	Member	1 Nov. 19	–	3/3
Martin Bartyzal	Member	23 Apr. 20	–	3/3
Daniel Malkin	Member	6 Dec. 21	–	–
Total Number of Meetings				3

DEAR SHAREHOLDER

I believe that the focus for the Risk Committee has not changed a great deal over the past year. The COVID pandemic continues to impact the broader economic environment and place financial pressures on our tenants and other business partners. We need to ensure that the financial risks to Globalworth arising from these circumstances are mitigated and managed. These factors have therefore continued to dominate the thinking of both the management team and the Committee itself when assessing Globalworth’s risk universe and the principal risks to prioritise.

We have maintained a dialogue with management about climate-change and environmental risks and their plans to cut Globalworth’s CO₂ emissions and we will continue to develop our understanding of the nature and impact of these risk categories.

The Risk Committee has been established as a standalone Board committee for some time now and we believe that this places us well to focus on new challenges and the risks that come with them. We do not do this in isolation and the Risk Committee has worked closely with both management and the other Board committees, especially the Audit Committee, to ensure that we are aligned in our understanding of risk and coordinated in our thinking about the appropriate responses needed. Maintaining this level of collaboration will be important over the coming months given recent changes in personnel at both the Board and senior management levels.

David Maimon
Chair of the Risk Committee
24 March 2022

Globalworth’s Risk Management Framework

The Board, represented by the Risk Committee, is responsible for establishing and maintaining the Group’s system of internal control and for maintaining and reviewing its effectiveness. However, on a day-to-day basis risk is managed by each Business unit within the Group’s risk management framework.

Risk management is embedded within our strategy and culture and plays a significant role in the achievement of our business objectives. However, we believe that we have a conservative risk approach as we only accept risks associated with the nature of our business activities.

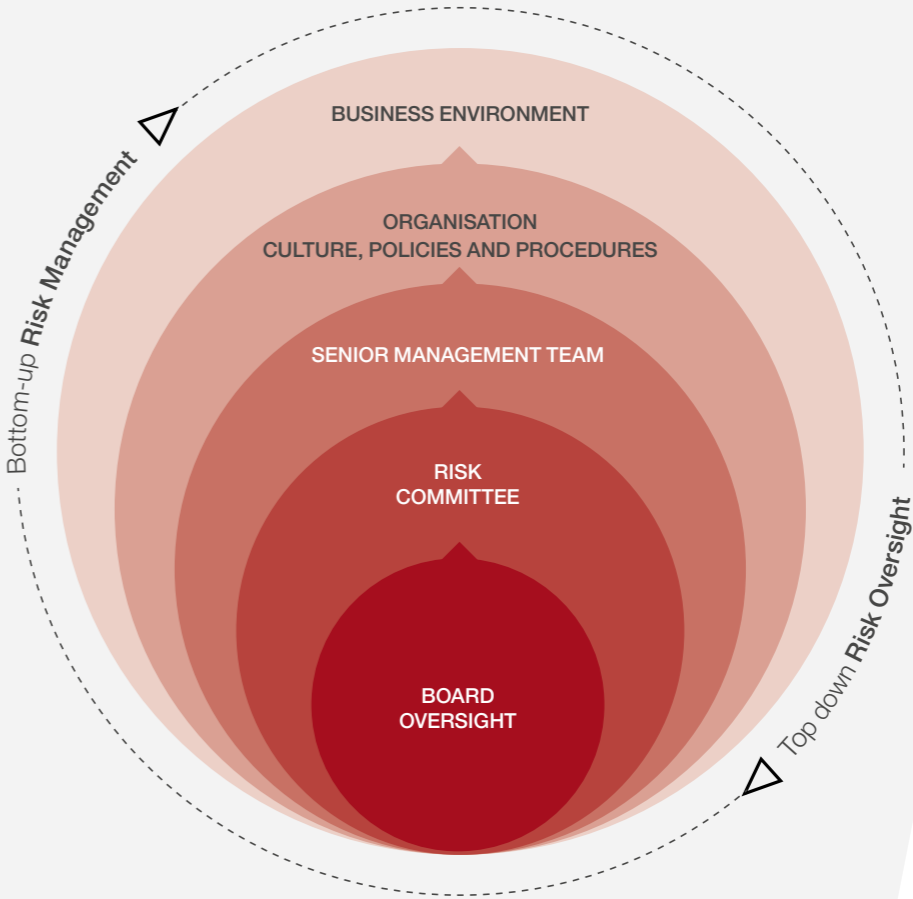
Moreover, the continuous strengthening of risk management is a key element in creating a sustainable business and delivering attractive risk-adjusted returns to our shareholders and value to other stakeholders as part of profitable and sustainable growth.

Our risk management framework and related processes focus on the identification, evaluation, formulation of response, monitoring and reporting on identified principal and other financial and non-financial risks, as well as the identification of emerging risks, as explained in further detail on the following page.

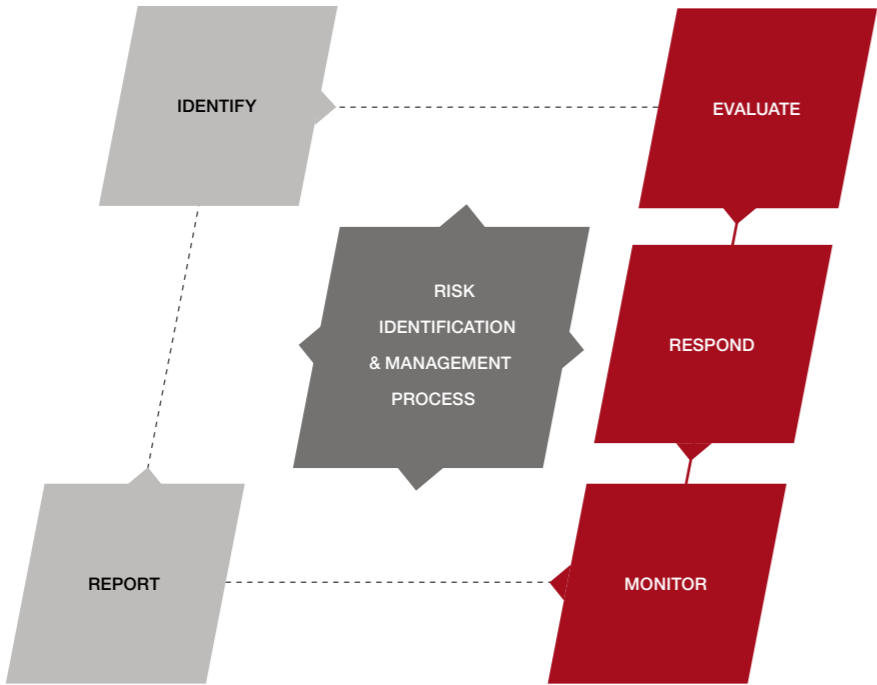
Our risk management strategy does not focus on eliminating risk entirely, but instead at striking an appropriate balance between managing our risks and maximising return from our business opportunities, ensuring a viable, profitable and sustainable business under normal and stressed market conditions.

Our risk management approach includes a bottom-up risk management process as well as a top-down risk oversight process, as outlined in the diagram below.

RISK OVERSIGHT



Risk Oversight continued



Identify

The Board and the Risk Committee have encouraged the risk ownership concept by Business units. Therefore, as part of the bottom-up risk management process individual Business units within our Group are responsible for identifying the risks related to their activities. identified risks are elevated to the Risk Committee for overview, comments and feedback.

The risk identification process is complemented by the top-down approach, where the Board and the Risk Committee, through the setting and approval of business strategy, identify potential additions to risks identified by Business units, or emerging risks which are being cascaded down to Business units for further assessment.

As part of the process of identification of risks, emerging risks are considered annually and risks that are identified but not assessed as principal risks are still evaluated and monitored. An example of such emerging risks in recent years is associated with the changes in tenants' requirements for flexible, sustainable / green efficient and technologically advanced buildings. Details on actions taken continuously by our Group in these areas are provided on pages 60 to 63 of the Annual Report and in the separate sustainable development report for year 2020 which is available on our website.

As in prior year and following a careful assessment of the potential threats and impact that this pandemic may have on our business and its operations, we have increased the level of risk on three of the already identified principal risks, namely: market conditions and the economic environment in which we operate; our counterparty credit risk; and availability of financing, no further changes were considered necessary for the year ended 31 December 2021.

In addition, the Committee continued the frequent communication with the Board and management in order to continue to manage collectively and swiftly risks as these are identified and communicated to the Risk Committee and the Board.

Evaluate

Once risks have been identified, they are assessed by the responsible Business units as to their potential severity of impact on the Group's performance (a negative impact on financial results) and to the probability of occurrence, that is risk indexation.

Respond

Once risks have been identified and evaluated, one or a combination of the following techniques are used to manage each particular risk:

- avoid (eliminate, withdraw from, or not become involved in);
- control (optimise - mitigate);
- sharing (outsource or insure); and
- retention (accept and budget).

The selection of a particular response strategy depends upon the magnitude of the impact, probability of occurrence, and existing internal and external controls.

Risk management by the Business units is embedded in the culture of our group and how policies and procedures are put in place.

Monitor

The initial risk management strategy may not address all issues as expected.

The Executive Management and the Risk Committee encourage the escalation by Business units of risk related matters that may arise from time to time. This is complemented by the oversight of the Risk Committee, which discusses the risk framework and makes its recommendations to the Board, as considered necessary.

Following reporting by the Risk Committee, the Board reassesses, at each quarterly meeting, whether the previously selected controls are still applicable and effective, and the possible risk level changes in the business environment.

In addition, since the emergence of the COVID-19 pandemic, and in part due to the urgency of such risk management, there has been frequent and extensive communication between Executive Management and the whole Board regarding the monitoring of risks related to, or affected by, the pandemic.

Since its formation as a separate committee, the Risk Committee has taken under its responsibility the review, on an annual basis, of the effectiveness of the Company's internal controls and risk management systems.

The Risk Committee has therefore performed an assessment of the internal controls of the Group, which has been in place for the financial year ended 31 December 2021 and up to the date of approval of the annual report and accounts, and in particular the controls over the most significant financial reporting risks.

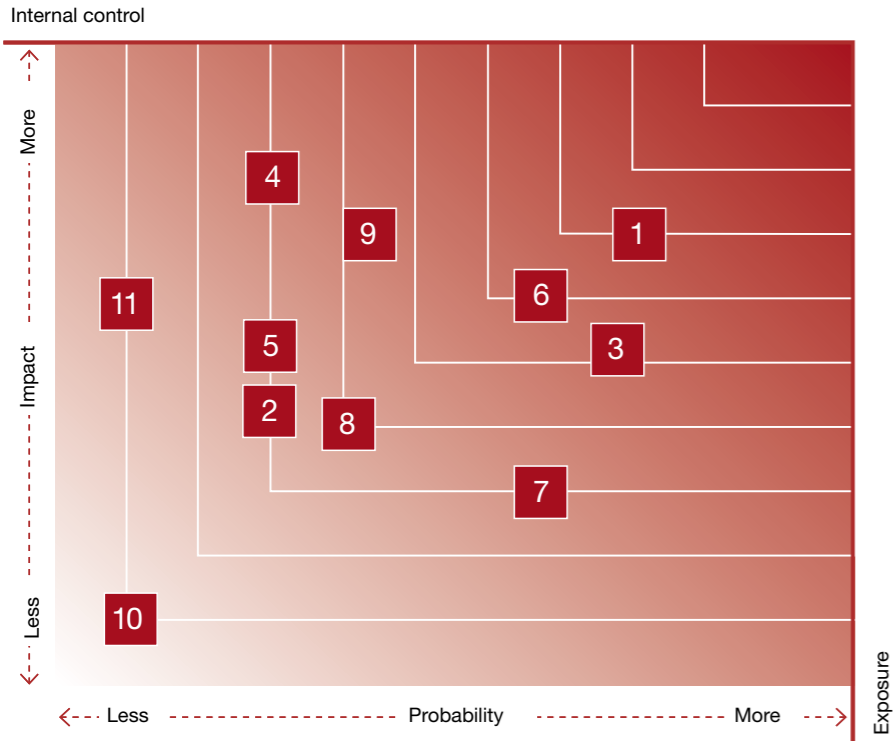
This review was facilitated through the submission by the Company's Chief Financial Officer of the updated report on controls over identified significant financial reporting risks, as prepared by management. Following its review, the Risk Committee concluded that the related internal control environment is adequate considering the current size and activities of the Company.

Report

The Group presents the principal risks profile on pages 100 to 104 of the Annual Report.

David Maimon
Chair of the Risk Committee
24 March 2022

INDEXATION OF PRINCIPAL RISKS



The diagram on the left portrays our current principal risks assessment in terms of their individual impact on the Group’s future results and the probability of occurrence. The probability of risk occurrence is an estimate, since the past data on frequency is not readily available. After all, probability does not imply certainty.

The probability of risk occurrence is, by nature, difficult to estimate. Likewise, the impact of the risk, in isolation, is estimated based on the Executive Management’s past experience in the real estate industry. Further, both the above factors can change in magnitude depending on the adequacy of risk avoidance and prevention measures taken and due to changes in the external business environment.

Further details on our principal risks are outlined below, linking each risk to our strategic objectives, and explaining our risk mitigation strategies and the rationale for change in risk during the year.

Key

The following key is used in the table below to highlight the changes in risk exposures during the year ended 31 December 2021:

In addition, the risks marked with ✓ have been considered relevant for the Viability Statement analysis.

↑ Risk exposure has increased in the current year	↓ Risk exposure has reduced in the current year	↔ No significant change in risk exposure since prior year
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Strategic Objectives:

1. Strengthen our position as the leading investor and landlord in our core markets
2. Enhance value of existing investments
3. Maintain an efficient and flexible capital structure
4. De-risk portfolio
5. Investment in sustainable environment & communities

Strategic
Objective

Impact

Mitigation

Change from prior year

1 Business Environment Risks
Market Conditions and the Economic Environment, Particularly in Romania and Poland

 	Negative trends in economic activity, and specifically the real estate markets in Poland and Romania may affect the occupier demand, rental rates and investment valuation in respect of the Group’s properties.	The Group is focused on leasing to multinational groups with either moderate exposure to developments in the Polish and Romanian economies and/or with very sound financial standing. The Group also focuses on signing long-term lease agreements with financially sound tenants and that current leases are renewed prior to their expiry for a longer term and at index-linked rental rates, so as to maintain and improve sustainable revenues.	↔
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2 Changes in the Political or Regulatory Framework in Romania, Poland or the European Union

 	The Group focuses on property investments in Poland and Romania, and is therefore exposed to political and regulatory framework changes that may impact activities in these markets. Adverse changes in taxation provisions and approach of the tax authorities in the jurisdictions the Group’s legal entities operate in may negatively affect its net results.	The Group monitors political or regulatory developments in Poland and Romania through its own resources and third-party information. In cases when changes in regulations occur, appropriate action is taken so as to maintain compliance with applicable regulations. Management believes that both economies continue to have a stable outlook for the medium to long term. The Group, through the Executive Management, the Group Head of Tax and engaging third-party specialist tax advisers on a regular basis in all the jurisdictions where its legal entities operate, monitor very closely the upcoming changes in taxation legislation and ensure that all steps are taken for compliance and tax efficiency of its Group structure. Through regular tax compliance monitoring and conservative policies in this area the Group ensures that the risks associated with potential additional, unexpected tax assessments is minimised. Moreover, the Group is closely monitoring its compliance with changes in EU member states’ legislation (mainly for Poland, Romania and Cyprus). Even though there have been significant changes in the Polish and Romanian corporate taxation legislation in recent years, these changes were in line with the EU anti-tax avoidance directive, which is an EU political priority, as opposed to specific initiatives in the countries where the Group operates.	↔
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3 Property Portfolio Risks
Execution of Investment Strategy

 	Poor execution of the Group’s strategy of investing in high-quality properties at sufficiently attractive valuations would affect the Group’s objectives of maximisation in NAV and EPS. In addition, inability to deliver pre-leased office space to tenants by the agreed dates due to delays caused by contractors or their possible default, could lead to potential costs overruns, penalties and loss of revenues.	The Group’s management team have a proven track record of acquiring high quality properties, most of them at a discount to their fair market values. The team remains in close contact with leading European real estate specialists with presence in its market of focus so as to get immediate access to potential opportunities. The team takes the lead in negotiations with the sellers of properties and puts in place safeguards (involvement of legal, financial, tax and technical third-party reputable and experienced due diligence advisers) and ensures related agreements are concluded within a short period of time. Risks for delay in completion of properties under development are passed on to the main contractors with whom fixed-cost turnkey contracts are signed and from which good execution guarantees are received. A portion of amounts payable to them, usually ranging from 5% to 15% of contracted value, are retained from the contractor’s monthly certified works until after the successful completion of the construction works. Only experienced, reputable and financially sound contractors are selected for the construction of properties under development, which are supervised by our project management teams in Romania and Poland. Further, significant penalties are stipulated in the related construction contracts to minimise any loss due to the delayed completion of the development works.	↔
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Strategic Objective Impact Mitigation Change from prior year

4 Property Portfolio Risks continued
Valuation of Portfolio

	Any error or negative trend in valuations of properties would significantly impact the results (NAV and EPS) of the Group.	The Group involves reputable third-party valuation specialists to measure the fair value of the investment property portfolio at least twice a year.	
✓	Changes in occupational trends (e.g. requirement for more flexible space and building management technologies) can impact future revenue generating capacity and hence impact the valuation of properties.	Management closely monitors the valuation approach for each of its properties and the assumptions used in the valuation.	
		The Group strives to preserve and enhance property values through its property management and leasing initiatives, and where applicable its development strategy. In addition, our property development and leasing strategy anticipates the future needs of our tenants, especially those experiencing continuous growth and additional lease area requirements.	
		Our Group has also initiated an investment programme in the latest building management technologies for upgrading its existing buildings and consequently the services offered to its tenants.	

5 Inability to Lease Space





	Potential loss of revenues leading to inability to maximise the EPS and FFO available for distribution of dividends to shareholders. Vacancy contributes to higher unrecoverable costs due to no service charge income.	The Group has a proven ability to attract tenants to its properties even before the inauguration of the construction works for properties under development.	
✓	Potential departure from market norms and rates as regards to headline rent and incentives to be provided to new and existing tenants in order to secure new leases or extension of existing leases.	The Group maintains a relatively low level of vacant space on completed properties, through the effective management of its portfolio, by its very experienced leasing and asset management teams based in Poland and Romania. In addition, the leasing teams cooperate closely with leading real estate specialists in their respective local markets to access new opportunities.	
		The Group's Leasing Policy ensures that the key terms offered in new and/or extended lease agreements comply with the procedures established in order to prevent any significant departure from market norms and rates.	

6 Counterparty Credit Risk

	Loss of income may result from the possible default of tenants.	The Group has a diversified tenant base (over 650 tenants), the vast majority of which are reputable, blue-chip multinational and local groups of very good to excellent credit standing. Guarantee cash deposits or bank guarantee letters are received from all tenants for the credit period agreed in lease agreements.	
✓	Possible loss of deposits held with banks.	During 2021 the Group continued to strengthen its Asset and Property Management teams in Poland and Romania, including resources dedicated to active monitoring of timely collections from tenants.	
		In accordance with the Group's Treasury Policy guidelines, over the short term and until used in property investments, cash is placed with banks with investment grade rating and any exceptions to this must be approved by the Executive Management and the Board.	

Strategic Objective Impact Mitigation Change from prior year



7 Property Portfolio Risks continued
Sustainable Portfolio Risk and Response to Climate Change

	Overall impact on our portfolio and business due to:	The Group is committed to responding to the effects of climate change and its Sustainability Policy covers the impact of the Group's operations and processes, the long-term environmental performance of the properties owned and developed, as well as the reduction of energy consumption and greenhouse gas emissions.	
	– Increase in service charges affecting attractiveness of our properties to tenants and thus profitability of our portfolio.	The Group, therefore, actively invests in properties which are either certified as environmentally friendly or have the potential to be classified as such following our own initiatives.	
	– Reduce the quality of working conditions for the people working or using our properties.	Globalworth principally targets properties which have BREEAM Very Good / LEED Gold or higher green certification or with the potential to achieve this, and at the end of 2021 had 53 standing green certified properties, accounting for 91.9% of its standing commercial portfolio by value. In addition, Renoma and Supersam which are currently under refurbishment / repositioning have maintained its BREEAM Excellent green accreditation, as the works performed are in accordance with a strict set of guidelines which do not impact its green certification status.	
	– Increase maintenance requirement of our properties affecting the long-term sustainable value of our portfolio.		
	– Changes in tenants' requirements for sustainable / green efficient and technologically advanced buildings may lead to loss of current or potential new tenants to competition.		

8 Financial, Financing & Liquidity Risks
Lack of Available Financing and Refinancing

	This would negatively affect the Group's ability to execute, to the full extent, its investment plan, maintain an optimal capital structure, and potentially make refinancing of maturing debt difficult.	The Group's management team holds frequent meetings with current and potential equity and debt investors, as well as continuous discussions with leading global, European, and local institutions in connection with its financing requirements.	
	✓	Since admission, the Group has raised c.€5 billion in equity and debt (including new loan facilities and rolled-over loan facilities on the acquisition of subsidiaries, as well as available facilities) to meet its financing requirements. In addition, as part of the €1.5 billion EMTN programme entered into in March 2018 the Group has €0.55 billion available for the issuance of additional bonds.	




9 Breach of Loan Covenants

	A breach may negatively affect the Group's relationship with financing banks, may have going concern implications, and affect, negatively, its ability to raise further debt financing at competitive interest rates.	The Group monitors on a regular basis its compliance with debt covenants and follows a conservative financing policy, ensuring that sufficient debt covenants headroom is available.	
✓			



LETTER FROM THE CHAIR
OF THE NOMINATION COMMITTEE

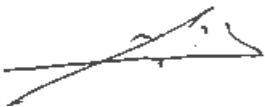
Strategic Objective	Impact	Mitigation	Change from prior year
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10 Financial, Financing & Liquidity Risks continued
Changes in Interest and Foreign Exchange Rates

	Additional financing costs may be incurred as a result of interest rate increases.	The Group monitors on a regular basis the cost of its debt financing and has a preference towards fixed rate, longer term, financing, as depicted by the fact that 91.5% of outstanding debt at 31 December 2021 bears fixed interest rates and has a weighted average period to maturity of 3.5 years (31 December 2020: 4.5 years). As a result, the impact of possible increases in interest rates for the medium term is minimal.	
	Forecasting financing costs could become less accurate.		
	Significant fluctuations, especially in the Polish Zloty to Euro and the Romanian Leu to Euro exchange rates, may lead to significant realised foreign exchange losses.		
		The Group continuously explores financing and refinancing options so as to diversify and potentially reduce its average debt financing costs.	
		The Group's exposure to negative realised foreign exchange fluctuations is limited to cases where the date invoices are issued to tenants or received from contractors and suppliers and the date of their settlement differ significantly. The limited exposure to foreign exchange fluctuations is due to the fact that the pricing in all major contracts entered into (with tenants and contractors / suppliers) is agreed in Euro, hence providing for a natural cash flow hedge to a large extent.	
		The Group actively monitors, with the help and expertise of the Group Treasurer, on a daily basis, the fluctuations in the Polish Zloty to Euro and the Romanian Leu to Euro exchange rates and strives to minimise the period between the issuance and settlement of invoices to tenants and by its contractors / suppliers and the potential related, realised foreign exchange losses that may result.	

11 Regulatory Risks
Compliance with Fire, Structural, Health and Safety or Other Regulations

	Non-compliance with related regulations in Poland and Romania may affect our reputation with existing and potential tenants.	The Group has a specialised department dealing on a daily basis with matters related to compliance with such regulations in Poland and Romania, where the Group's properties are located. Apart from in-house expertise, the Group also engages external consultants, when required, on specialised matters related to its compliance with these regulations.	
	It may lead to loss of right to operate our properties, and may also lead to severe legal implications for the directors of the property-owning subsidiaries.	Appropriate actions are taken as soon as a potential threat for non-compliance with such regulations is identified.	



David Maimon
Chair of the Risk Committee
24 March 2022



Daniel Malkin
Chair of the Nomination Committee

New appointments made to the Board during 2021 provide a sound balance of skills, experience and perspectives to underpin the Board's leadership of the Company.

Highlights

- The priority throughout 2021 was the oversight of significant changes in the non-executive membership of the Board.

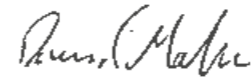
DEAR SHAREHOLDER

Having been appointed to the Globalworth Board in December 2021, I have also taken the reins as chair of the Nomination Committee from Geoff Miller and so I would like to start by thanking him for his work in that role.

2021 was a year of change at Globalworth, starting in April with the offer for the Company from the Consortium (CPI Property Group S.A. and Aroundtown SA), which subsequently completed in July. At Board level, this led a number of changes, implemented in December 2021, to reflect the Consortium's (through their indirect ownership of Zakiono) majority shareholding in Globalworth.

Whilst the Board changes made were in accordance with the rights of the Consortium, through its ownership of Zakiono, and the rights of Growthpoint, both as set out in the Articles, the Board considered and is satisfied that there will continue to be the right balance of skills, experience and independence in the revised composition of the Board. Independence of character and judgement remains a key theme and is monitored on an ongoing basis. The importance of diversity is also recognised and I believe that the Board has diversity of thought and approach, as well as background and experience, however we do not create diversity for the sake of it.

With 90% of the Company's issued share capital now held or controlled by the Consortium and Growthpoint Properties Ltd, and the Board composition only recently settled, I believe that 2022 should be a stable year in terms of the work of the Nomination Committee.



Daniel Malkin
Chair of the Nomination Committee
24 March 2022

Membership

Director	Position	Date of Committee appointment	Date of Committee resignation
Daniel Malkin	Chair (from 6 Dec. 21)	6 Dec. 21	–
Geoff Miller	Chair (until 6 Dec. 21)	1 Nov. 18	6 Dec. 21
Richard van Vliet	Member	30 Mar. 20	–
Andreea Petreanu	Member	30 Mar. 20	6 Dec. 21
Andreas Tautscher	Member	6 Dec. 21	–
George Muchanya	Member	6 Dec. 21	–

LETTER FROM THE CHAIR OF THE COMMITTEE



Piotr Olendski
Chair of the Remuneration Committee

Going forward, we need to continue to monitor the effectiveness of the Remuneration Policy and ensure that our approach remains fit for purpose, in particular the long-term components of the Policy.

Highlights

- The principles of our remuneration policy have remained robust and effective despite the ongoing turbulence in the economic environment caused by the pandemic.

DEAR SHAREHOLDER

Following my appointment to the Globalworth board in December 2021, I am happy to introduce this Directors' Remuneration Report although it is right that my predecessor, Martin Bartyzal, should take the credit for the achievements of the Committee during the year. I am grateful that Martin is continuing to serve on the Committee and for the support that he has provided to me as I have taken up this responsibility. Geoff Miller and John Whittle, as the outgoing members of the Committee, also provided valuable help during the transition in the membership of the Committee, for which I am thankful. I look forward to working with my new Committee colleagues to continue their legacy of sound governance over executive remuneration within Globalworth.

Last year, Martin noted that a robust and well-structured Remuneration Policy had been put in place and, the foundations were in place for aligning the incentivisation of the senior executive team with the Group's strategy in the interests of all of Globalworth's shareholders. Even at this early stage of my involvement in the work of the Remuneration Committee, it is clear that the Policy continues to provide a clear and relevant structure for the remuneration of our senior executives and we therefore see no reason to change the fundamentals of the Committee's approach to executive remuneration. However, recognising the turbulent economic backdrop of the past few years, we will pay attention to ensure that our executives are incentivised to achieve outcomes which are in the best interests of all our stakeholders whilst being mindful of those situations which are outside of management control but which could adversely affect remuneration outcomes. We will also play close attention to the key performance metrics to ensure that they are relevant and appropriate for the post-pandemic business environment.

As a Committee, we are aware that investors are increasingly focussing on the extent to which environment, social and governance ("ESG") metrics are used to calibrate variable executive remuneration. We will give further thought to this in due course although I believe that our management team already work with our stakeholders on many environmentally friendly initiatives even without the need for financial incentive to do so. In the meantime, we will continue to maintain the approach to executive remuneration put in place by the Remuneration Committee in previous years, which we believe continues to deliver the right remuneration outcomes for our senior team.

Piotr Olendski
Chair of the Remuneration Committee
24 March 2022

Membership and Attendance

Director	Position	Date of Committee appointment	Date of Committee resignation	Attendance
Piotr Olendski	Chair (from 6 Dec. 21)	6 Dec. 21	–	–
Martin Bartyzal	Chair (until 6 Dec. 21); Member (from 6 Dec. 21)	23 Apr. 20	–	6/6
Geoff Miller	Member	23 Apr. 20	6 Dec. 21	6/6
John Whittle	Member	30 Mar. 20	6 Dec. 21	6/6
Favieli Stelian	Member	6 Dec. 21	–	–
Richard van Vliet	Member	6 Dec. 21	–	–
Total number of meetings				6

Composition of the Committee

Until 6 December 2021 the Remuneration Committee comprised three independent Non-Executive Directors: Martin Bartyzal (Chair of the Committee), Geoff Miller and John Whittle. On 6 December 2021, following the resignation of Geoff Miller and John Whittle, Piotr Olendski succeeded Martin Bartyzal as Chair of the Committee and Favieli Stelian and Richard van Vliet were appointed additional members of the Committee, alongside Martin Bartyzal.

Responsibilities of the Committee

The Remuneration Committee has as its remit, amongst other matters, the determination and review of the fees payable to GIAL, the Company's subsidiary, and the related emoluments of the Executive Directors and other senior employees of the Company who are preference shareholders of GIAL, and the terms of any performance or incentive plans of GIAL, including the setting of performance thresholds, the allocation of any such entitlements between shares and cash and the setting of any vesting periods (in each case, taking such independent advice as it considers appropriate in the circumstances). In addition, the Remuneration Committee reports at least annually to the Board in relation to its activities and recommendations.

The complete details of the Remuneration Committee's formal duties and responsibilities are set out in its terms of reference, which can be found on the Company's website.

Directors' Remuneration Policy

Directors' emoluments comprise a fee or salary-based compensation plus, in the case of the Executive Director, dividends in his capacity as preference shareholder of GIAL, all in accordance with the Investment Management Agreement signed between the Company and GIAL on 24 July 2013, with the latest amendments made in February 2021.

Directors' Emoluments

The emoluments of the Directors is a matter for the Board, considering the recommendations received from the Remuneration Committee. No Director may be involved in any decisions as to his own emoluments.

During the year ended 31 December 2021 the emoluments of the Directors were as follows:

Amounts in €'000	Company	Subsidiaries ¹			Total Emoluments ³
	Fees	Salary	Dividends ²	Total	
Dimitris Raptis	–	120	992	1,112	1,112
Martin Bartyzal	79	–	–	–	79
Geoff Miller (until 6 Dec. 2021)	476	–	–	–	476
John Whittle (until 6 Dec. 2021)	227	–	–	–	227
Andreea Petreanu (until 6 Dec. 2021)	183	–	–	–	183
Norbert Sasse	–	–	–	–	–
George Muchanya (from 6 Dec. 2021)	–	–	–	–	–
Richard van Vliet	66	–	–	–	66
David Maimon	4	–	–	–	4
Andreas Tautscher (from 6 Dec. 2021)	4	–	–	–	4
Piotr Olendski (from 6 Dec. 2021)	4	–	–	–	4
Daniel Malkin (from 6 Dec. 2021)	4	–	–	–	4
Favieli Stelian (from 6 Dec. 2021)	4	–	–	–	4
	1,051	120	992	1,112	2,163

1. GIAL for Dimitris Raptis.
2. Dimitris Raptis receives dividends in his capacity as preference shareholder of GIAL, the amount of which depends on the performance and profitability of GIAL. GIAL provides investment advisory services to the Company and is rewarded for the services it provides pursuant to the Investment Management Agreement signed on 24 July 2013, as amended from time to time (the 'IMA'). For Dimitris Raptis dividends include an accrual of €0.11 million.
3. The amounts indicated represent accrued amounts corresponding to the period during which the beneficiaries were members of the Board. Out of the amounts disclosed in the above table €0.24 million was payable to the Directors as of 31 December 2021.

During the year ended 31 December 2020 the emoluments of the Directors were as follows:

Amounts in €'000	Company	Subsidiaries ¹			Dividends ²	Total Emoluments ³
	Fees	Salary	Pension allowance	Total		
Ioannis Papalekas (until 16 March 2020)	–	208	–	208	–	208
Dimitris Raptis	–	230	17	247	607	854
Geoff Miller	261	–	–	–	–	261
Eli Alroy (until 30 March 2020)	50	–	–	–	–	50
John Whittle	121	–	–	–	–	121
Andreea Petreanu	87	–	–	–	–	87
Norbert Sasse	–	–	–	–	–	–
Peter Fechter (until 23 April 2020)	23	–	–	–	–	23
George Muchanya (until 23 April 2020)	–	–	–	–	–	–
Richard van Vliet	50	–	–	–	–	50
Bruce Buck (until 23 April 2020)	35	–	–	–	–	35
Martin Bartyzal (from 23 April 2020)	30	–	–	–	–	30
David Maimon (from 28 May 2020)	–	–	–	–	–	–
	657	438	17	455	607	1,719

1. GIAL and Globalworth Holdings Cyprus Limited for Ioannis Papalekas and GIAL for Dimitris Raptis.
2. Dimitris Raptis receives dividends in his capacity as preference shareholder of GIAL, the amount of which depends on the performance and profitability of GIAL. GIAL provides investment advisory services to the Company and is rewarded for the services it provides pursuant to IMA signed on 24 July 2013, as amended from time to time. For Dimitris Raptis dividends include an accrual of €0.568 million (€0.343 million to be settled in cash and €0.225 million by the transfer of shares of the Company).
3. The amounts indicated represent accrued amounts corresponding to the period during which the beneficiaries were members of the Board. Out of the amounts disclosed in the above table €0.698 million was payable to the Directors as of 31 December 2020.

Zakiono and Director Warrant Agreements

Please refer to page 87 of the Annual Report for details on the Zakiono and Directors' warrant agreements concluded on 24 July 2013.

Summary of Group Remuneration Policy

The Group remuneration policy, which has been in place since July 2019, is designed to achieve an appropriate balance between fixed and variable remuneration, and between variable remuneration based on short-term and longer-term performance. Fixed remuneration includes base salary and benefits. Variable remuneration includes an annual bonus, a significant portion of which will ordinarily be paid in deferred shares pursuant to a deferred annual bonus plan ("DABP"), and performance share plan awards made under a long-term incentive plan ("LTIP").

The Group remuneration policy is intended to align with the strategy and business of the Group and reflects the importance of generating a growing and sustainable cash flow and achieving value creation through the active management of real estate assets, including those under development.

The key objectives of the Group remuneration policy remain to strongly align Group employee and shareholder interests; to underpin an effective pay-for-performance culture; support the retention, motivation and recruitment of talented people; and to encourage Company shareholding ownership amongst Group employees.

The Committee oversees the implementation of this policy and seeks to ensure that the Investment Manager and senior employees are fairly rewarded for Globalworth's performance over the short and longer term. A significant proportion of the potential total remuneration is therefore performance-related.

The following contains a summary of the key terms of the Group remuneration policy, including the DABP and the LTIP.

Base Salary

Base salaries are reviewed annually with any increases taking effect from 1 January. The level of increases take account of each senior employee's experience, service to the Company, external market benchmarks, and the importance of that person to the business.

The performance of the Company, salary increases awarded to the workforce as a whole, and external indicators such as inflation will also be taken into account.

Annual Bonus Plan

The Investment Manager and selected senior employees are eligible to participate in an annual bonus plan. The annual bonus plan for participants in the scheme is typically paid through a combination of cash and deferred shares through the DABP.

Participation in the annual bonus plan from year to year is at the sole discretion of the Committee, although the Investment Manager and most senior employees would be expected to participate each year.

The maximum award cannot exceed 150% of annual salary, target performance cannot exceed 75% of annual salary and threshold performance will not exceed 37.5% of annual salary.

The annual bonus plan provides that typically 50% of any bonus earned should be in deferred Company shares under the DABP. Awards under the DABP typically vest in three instalments on the first, second and third anniversaries of the date of grant. Participants are entitled to receive dividend equivalents on the unvested shares until, and payable on or shortly after, they vest.

In general, the Committee sets performance targets for the annual bonus at the start of each financial year to ensure performance measures and weightings are appropriate and support the business strategy and performance targets are primarily based upon Key Performance Indicators, although there may also be elements subject to other measures and factors at the discretion of the Committee.

Long-term Incentive Plan

The LTIP provides the long-term incentive arrangement for the Investment Manager and selected senior employees (the "LTIP Participants").

Under the LTIP, it is intended that performance share awards are granted on an annual basis either in the form of Company shares without cost to the LTIP participant or nil (or nominal) cost options to subscribe to Company shares.

Annual awards are determined by reference to that number of shares which equals in value to a maximum of 100% of salary for employees who are not Directors of the Company and 150% of salary for Directors of the Company.

Awards vest three years from the date of grant of the award (or upon the assessment of performance conditions if later) subject to the LTIP participant's continued service and the extent to which the performance conditions specified for the awards are satisfied. The Committee has the discretion in certain circumstances to grant and/or settle an award in cash.

Performance conditions applying to the first awards were based 50% on relative Total Shareholder Return ("TSR") and 50% on growth in Total Accounting Return per share ("TAR") (defined as the growth in the Company's EPRA Net Asset Value per share and dividend distributions per share paid over the three-year LTIP performance period). The achievement of a threshold level of performance will result in vesting of 25% of the maximum award. Full vesting will occur for equalling or exceeding the maximum performance target. A target level of performance may also be set between the threshold and maximum performance targets. The level of vesting for the achievement of target performance would take account of the difficulty of achieving target performance. Straight-line vesting will take place for performance between threshold, target, and maximum.

Dividend equivalents will be paid in relation to shares which vest until the normal vesting date or, if there is one, until the end of the holding period.

The DABP and LTIP terms provide that awards will vest early in certain circumstances. In accordance with its terms of reference, the Remuneration Committee determined that awards vested in whole or part at the time Aroundtown transferred its shares in Globalworth to Zakiono as part of, and during, the Offer. As such, there are currently no outstanding awards under the DABP or the LTIP.

Piotr Olendski
Chair of the Remuneration Committee
24 March 2022

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	31 December 2021 €'000	31 December 2020 €'000
Revenue	7	219,350	223,309
Operating expenses	8	(75,098)	(66,031)
Net operating income		144,252	157,278
Administrative expenses	9	(25,622)	(17,986)
Acquisition costs		–	(2,689)
Fair value loss on investment property	3	(5,738)	(116,153)
Share-based payment expense	24	(532)	(1,071)
Depreciation and amortisation expense		(536)	(466)
Other expenses		(1,851)	(2,565)
Other income		1,051	494
Foreign exchange gain/(loss)		214	(395)
Loss from fair value of financial instruments at fair value through profit or loss	16	(386)	(47)
Profit before net financing cost		110,852	16,400
Finance cost	10	(55,539)	(51,140)
Finance income		1,749	2,383
Share of profit of equity-accounted investments in joint ventures	27	5,010	1,897
Profit/(loss) before tax		62,072	(30,460)
Income tax expense	11	(14,583)	(16,335)
Profit/(loss) for the year		47,489	(46,795)
Other comprehensive income		–	–
Total comprehensive income for the year		47,489	(46,795)
Profit/(loss) attributable to equity holders of the Company		47,489	(46,795)
Earnings per share			
– Basic	12	21	(21)
– Diluted	12	21	(21)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 €'000	2020 €'000
ASSETS			
Investment property	3	2,966,080	3,013,014
Goodwill		12,349	12,349
Advances for investment property	5	3,436	4,215
Investments in joint ventures	27	48,908	28,358
Equity investments		12,109	10,369
Other long-term assets		2,083	2,148
Prepayments		338	432
Deferred tax asset	11	151	786
Non-current assets		3,045,454	3,071,671
Financial assets at fair value through profit or loss	16	7,324	7,695
Trade and other receivables	18	16,208	16,025
Contract assets	13	6,106	2,819
Guarantees retained by tenants		885	894
Income tax receivable		117	931
Prepayments		2,104	2,227
Cash and cash equivalents	19	418,748	527,801
		451,492	558,392
Investment property held for sale	3.3	130,537	–
Total current assets		582,029	558,392
Total assets		3,627,483	3,630,063
EQUITY AND LIABILITIES			
Issued share capital	21	1,704,476	1,704,374
Treasury shares	24.5	(4,917)	(12,977)
Share-based payment reserve	24	156	6,184
Retained earnings		38,914	57,783
Total equity		1,738,629	1,755,364
Interest-bearing loans and borrowings	14	1,285,641	1,604,043
Deferred tax liability	11	150,713	144,843
Lease liabilities	3.2	18,762	27,324
Guarantees retained from contractors		2,661	2,235
Deposits from tenants		3,844	3,449
Trade and other payables		956	692
Non-current liabilities		1,462,577	1,782,586
Interest-bearing loans and borrowings	14	348,279	26,051
Guarantees retained from contractors		3,361	4,032
Trade and other payables		39,788	40,209
Contract liability	13	1,940	2,088
Other current financial liabilities		261	875
Current portion of lease liabilities	3.2	1,303	1,765
Deposits from tenants		16,068	16,245
Provision for tenant lease incentives		–	46
Income tax payable		550	802
		411,550	92,113
Liabilities directly associated with the assets held for sale	3.3	14,727	–
Total current liabilities		426,277	92,113
Total equity and liabilities		3,627,483	3,630,063

The financial statements were approved by the Board of Directors on 24 March 2022 and were signed on its behalf by:



Andreas Tautscher
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 €'000	2020 €'000
Profit/(loss) before tax		62,072	(30,460)
<i>Adjustments to reconcile profit /(loss) before tax to cash flows from operating activities</i>			
Fair value loss on investment property	3	5,738	116,153
Loss on sale of investment property		471	387
Share-based payment expense	24	532	1,071
Depreciation and amortisation expense		536	466
Net increase in allowance for expected credit losses	20.2	1,134	1,152
Foreign exchange (gain)/loss		(214)	395
Loss from fair valuation of financial instrument at fair value through profit or loss	16	386	47
Share of (profit) of equity-accounted joint ventures	27	(5,010)	(1,897)
Finance income		(1,749)	(2,383)
Financing cost	10	55,539	51,140
Operating profit before changes in working capital		119,435	136,071
(Increase)/decrease in trade and other receivables		(4,513)	16,696
(Decrease) in trade and other payables		(3,872)	(3,149)
Interest paid		(44,641)	(40,958)
Interest received		267	1,048
Income tax paid		(1,949)	(4,746)
Interest received from joint ventures		536	199
Cash flows from operating activities		65,263	105,161
Investing activities			
Expenditure on investment property completed and under development or refurbishment		(68,846)	(77,028)
Refund of advances given for property acquisition		-	24,000
Payment for acquisition of investment property		(18,011)	-
Proceeds from sale of investment property		3,010	2,870
Investment in financial assets at fair value through profit or loss	16	(143)	(671)
Proceeds from sale of financial assets through profit and loss		85	16,517
Payments for investment in equity investments	17	(1,740)	(529)
Investment in and loans given to joint ventures	27	(23,354)	(16,555)
Repayment of loan from joint ventures	27	8,111	8,485
Payment for the acquisition of controlling stake in a joint venture		-	(2,000)
Payment for purchase of other long-term assets		(468)	(1,123)
Cash flows used in investing activities		(101,356)	(46,034)
Financing activities			
Proceeds from issuance of share capital	24.1	100	-
Purchase of own shares		-	(8,345)
Proceeds from interest-bearing loans and borrowings	14	-	737,353
Repayment of interest-bearing loans and borrowings	14	(2,796)	(430,200)
Payment of interim dividend to equity holders of the Company	22	(66,286)	(108,324)
Payment for lease liability obligations	3.2	(1,659)	(1,771)
Payment of bank loan arrangement fees and other financing costs	15	(2,168)	(11,614)
Cash flows (used in)/from financing activities		(72,809)	177,099
Net (decrease)/increase in cash and cash equivalents		(108,902)	236,226
Effect of exchange rate fluctuations on cash and bank deposits held		(151)	(119)
Cash and cash equivalents at the beginning of the year	19	527,801	290,694
Restricted cash reserve	19	-	1,000
Cash and cash equivalents at the end of the year	19	418,748	527,801

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Note	Equity attributable to equity holders of the Company				
		Issued share capital €'000	Treasury shares €'000	Share-based payment reserve €'000	Retained earnings €'000	Total Equity €'000
As at 1 January 2020		1,704,374	(8,379)	5,571	213,101	1,914,667
Shares issued to the Executive Directors and other senior management employees		-	392	(392)	-	-
Interim dividends		-	271	(72)	(108,523)	(108,324)
Share-based payment expense under the subsidiaries' employees share award plan		-	-	1,071	-	1,071
Shares vested under the subsidiaries' employees share award plan		-	540	(540)	-	-
Shares purchased with cash by the Company		-	(8,345)	-	-	(8,345)
Cash-based portion of deferred annual bonus plan converted to deferred shares settlement		-	-	1,025	-	1,025
Deferred annual bonus plan reserve for the year		-	-	2,065	-	2,065
Shares vested under the deferred annual bonus incentive plan		-	2,544	(2,544)	-	-
Total comprehensive income for the year		-	-	-	(46,795)	(46,795)
As at 31 December 2020		1,704,374	(12,977)	6,184	57,783	1,755,364
Shares issued to the Executive Directors and other senior management employees	24.2	-	339	(339)	-	-
Interim dividends	22	-	72	-	(66,358)	(66,286)
Share-based payment expense under the subsidiaries' employees share award plan	24.3	-	-	532	-	532
Shares vested under the subsidiaries' employees share award plan	24.3	-	1,253	(1,253)	-	-
Shares issued for cash under Executive share option plan	24.1	102	-	(2)	-	100
Cash-based portion of deferred annual bonus plan converted to deferred shares settlement		-	-	(79)	-	(79)
Shares issued for long term plan termination and employees incentive plan	24.5	-	1,476	33	-	1,509
Shares vested under the deferred annual bonus incentive plan	24.4.1	-	4,920	(4,920)	-	-
Total comprehensive income for the year		-	-	-	47,489	47,489
As at 31 December 2021		1,704,476	(4,917)	156	38,914	1,738,629

SECTION I: BASIS OF PREPARATION

This section contains the Group's significant accounting policies that relate to the consolidated financial statements as a whole. Significant accounting policies and related management's estimates, judgements and assumptions in the application of those policies specific to a particular note are included with that note. Accounting policies relating to non-material items are not included in these financial statements.

1 Basis of Preparation Corporate Information

Globalworth Real Estate Investments Limited (the “Company” or “Globalworth”) is a company with liability limited by shares (domiciled in Guernsey) and incorporated in Guernsey on 14 February 2013, with registered number 56250. The registered office of the Company is at Anson Court, La Route des Camps, St Martin, Guernsey GY4 6AD. Globalworth, being a real estate Company, has had its ordinary shares admitted to trading on AIM (Alternative Investment Market of the London Stock Exchange) under the ticker “GWI” since 2013.

On 12 May 2021 CPI Property Group S.A. and Aroundtown SA formed a consortium, and, via Zakiono Enterprises Limited (“Zakiono”), made a cash offer for the entire issued and to be issued share capital (not already held, or agreed to be acquired, by Zakiono) in the Company at €7.00 / share (effectively 48.8% of Globalworth shares) which was initiated by way of a formal offer. The offer was successfully completed, with the consortium now holding 60.6% of the share capital, via Zakiono, thus becoming the largest and controlling shareholder of Globalworth.

The Company's Eurobonds have been admitted to trading on the Official List of the Irish Stock Exchange in June 2017, March 2018 and July 2020, respectively. In addition, the Company's Eurobonds maturing in June 2022 and March 2025 have been admitted to trading on the Bucharest Stock Exchange in July 2017 and May 2018, respectively. The main country of operation of the Company is Guernsey. The Group's principal activities and nature of its operations are mainly investments in real estate properties, though both acquisition and development as set out in the Strategic Report section of the Annual Report. On 23 July 2021 Zakiono Enterprises Limited, a company wholly owned by Tevat Limited, become a controlling shareholder by holding 60.6% share capital of the Company through public offer. Tevat Limited is a joint venture between CPI Property Group S.A. and Aroundtown SA.

Basis of Preparation and Compliance

These consolidated financial statements have been prepared in conformity with the International Financial Reporting Standards (“IFRS”), as adopted by the European Union (“EU”), give a true and fair view of the state of affairs as at 31 December 2021 and 2020 and of the profit or loss for the year then ended 31 December 2021 and 31 December 2020, and are in compliance with the Companies (Guernsey) Law, 2008, as amended.

These consolidated financial statements (“financial statements”) have been prepared on a historical cost basis, except for investment property, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which are measured at fair value.

The significant accounting policies adopted are set out in the relevant notes to the financial statements and consistently applied throughout the periods presented except for the new and amended IFRS (see note 31), which were adopted on 1 January 2021. These consolidated financial statements are prepared in Euro (“EUR” or “€”), rounded to the nearest thousand (‘000) unless otherwise indicated, being the functional currency and presentation currency of the Company.

These financial statements are prepared on a going concern basis. The Directors believe that it is appropriate to adopt the going concern basis in preparing the financial statements. The Directors based their assessment on the Group's cash flow projections for the period up to 31 March 2023. These projections take into account the current very significant available cash resources of the Group of c.€418 million, the available undrawn RCF of €215 million, the latest contracted rental income, anticipated additional rental income from new possible lease agreements during the period covered by the projections, modification of existing lease contracts, as well as the repayment of contracted debt financing, CAPEX, and other commitments. The projections and related sensitivity analysis carried out show that in the period up to 31 March 2023, the Company anticipates having sufficient liquid resources to continue to fund ongoing operations and committed asset development without the need to raise any additional debt or equity financing, or the need to reschedule existing debt facilities or other commitments.

Basis of Consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the “Group”) as of and for the year ended 31 December 2021 and 31 December 2020. Subsidiaries are fully consolidated (refer to note 28) from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the period from the date of obtaining control to 31 December, using consistent accounting policies. All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions are eliminated in full. Non-controlling interest represents the portion of profit or loss and net assets not held by the Group and is presented separately in the income statement and within equity in the consolidated statement of financial position, separately from net assets and profit and loss attributable to the equity holders of the Company.

Foreign Currency Transactions and Balances

Foreign currency transactions during the year are initially recorded in the functional currency at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies other than the functional currency of the Company and its subsidiaries are retranslated at the rates of exchange prevailing on the statement of financial position date. Gains and losses on translation are taken to profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2 Critical Accounting Judgements, Estimates and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain judgements, estimates and assumptions that affect reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures and the disclosures of contingent liabilities.

Selection of Functional Currency

The Company and its subsidiaries used their judgement, based on the criteria outlined in IAS 21 “The Effects of Changes in Foreign Exchanges Rates”, and determined that the functional currency of all the entities is the EUR. In determining the functional currency consideration is given to the denomination of the major cash flows of the entity e.g., revenues and financing.

As a consequence, the Company uses EURO (€) as the functional currency, rather than the local currency Romanian Lei (“RON”) for the subsidiaries incorporated in Romania, Polish Zloty (“PLN”) for the subsidiaries in Poland and Pounds Sterling (“GBP”) for the Company and the subsidiary incorporated in Guernsey.

Judgements were made in assessing the impact of COVID-19 on the financial statements. The potential areas which may have been potentially affected by COVID-19 are identified throughout the notes to the financial statements.

Further additional critical accounting judgements, estimates and assumptions are disclosed in the following notes to the financial statements.

- Investment Property, see note 3 and Fair value measurement and related estimates and judgements, see note 4;
- Commitments (operating leases commitments – Group as lessor, see note 6;
- Taxation, see note 11;
- Equity investments, see note 17;
- Financial assets at fair value through profit or loss, see note 16;
- Trade and other receivables, see note 18;
- Share-based payment reserve, see note 24;
- Goodwill, see note 26;
- Investment in Joint Ventures, see note 27; and
- Investment in Subsidiaries, see note 28.

SECTION II: INVESTMENT PROPERTY

This section focuses on the assets on the balance sheet of the Group which form the core of the Group's business activities. This includes investment property (both 100% owned by the Group and by the Joint Ventures), related disclosures on fair valuation inputs, commitments for future property developments and investment property-leasehold and related lease liability recognised for the right of perpetual usufruct of the lands.

Further information about each property is described in the Strategic Report and Portfolio Review sections of the Annual Report.

3 Investment Property

	Note	Investment property – freehold					Investment property leasehold- Right of usufruct of the land	TOTAL
		Completed investment property €'000	Investment property under refurbishment €'000	Investment property under development €'000	Land for further development €'000	Sub-total €'000	€'000	
1 January 2020		2,845,958	–	131,720	39,200	3,016,878	32,077	3,048,955
Subsequent expenditure		13,968	681	40,077	706	55,432	–	55,432
Net lease incentive movement		24,594	696	1,809	–	27,099	–	27,099
Other operating lease commitment		(1,353)	–	–	–	(1,353)	–	(1,353)
Capitalised borrowing costs		–	–	1,452	–	1,452	–	1,452
Transfer to completed investment property		116,375	–	(116,375)	–	–	–	–
Transfer to land for further development		(1,350)	–	–	1,350	–	–	–
Transfer to investment property under refurbishment		(104,935)	104,935	–	–	–	–	–
Disposal during the year		(2,131)	–	–	(287)	(2,418)	–	(2,418)
Fair value gain/(loss) on investment property		(112,806)	(3,182)	1,067	(519)	(115,440)	(713)	(116,153)
31 December 2020		2,778,320	103,130	59,750	40,450	2,981,650	31,364	3,013,014
Investment property acquisition	3.1	18,011	–	–	–	18,011	–	18,011
Subsequent expenditure		20,790	7,381	25,279	1,299	54,749	–	54,749
Net lease incentive movement		18,384	(97)	1,015	–	19,302	–	19,302
Capitalised borrowing costs	10	–	53	486	–	539	–	539
Transfer to completed investment property		63,600	–	(63,600)	–	–	–	–
Transfer to investment property under development		–	–	2,500	(2,500)	–	–	–
Transfer to investment property under refurbishment		(47,520)	47,520	–	–	–	–	–
Disposal during the year		(3,260)	–	–	–	(3,260)	–	(3,260)
Transfer to assets held for sale	3.3	(120,690)	–	–	–	(120,690)	(9,847)	(130,537)
Fair value gain/(loss) on investment property		(9,375)	(1,986)	5,420	51	(5,890)	152	(5,738)
31 December 2021		2,718,260	156,001	30,850	39,300	2,944,411	21,669	2,966,080

3.1 Investment Property – Freehold Policy

Investment property comprises completed property, property under construction or refurbishment that is held to earn rentals or for capital appreciation or both, and land bank for further development. Investment properties are initially measured at cost, including transaction costs. Transaction costs include transfer taxes and professional fees for legal services to bring the property to the condition necessary for it to be capable of operating.

After initial recognition, investment property is carried at fair value. Fair value is based on valuation methods such as discounted cash flow projections and recent market comparable, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction or refurbishment for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction work is completed – whichever is earlier.

Valuations are performed as of the statement of financial position date by professional valuers, who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. This value corresponds to the price that a third-party investor would be willing to pay in order to acquire each of the properties making up the portfolio of assets and in order to benefit from their rental income. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise. The carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments is initially included as part of the carrying value of the investment property. At the balance sheet date investment property is remeasured at fair value.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses at the retirement or disposal of investment property.

Judgements

Classification of Investment Property
Investment property comprises completed property, property under construction or refurbishment and land bank for further development which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation. The Group considers that, when the property is in a condition which will allow the generation of cash flows from its rental, the property is no longer a property under development or refurbishment but an investment property. If the property is kept for sale in the ordinary course of the business, then it is classified as inventory property.

Investment Property Acquisition
On 27 April 2021, the Group acquired through its wholly owned-subsidiary Industrial Park West SRL two standing industrial investment properties for an amount of €18 million located in the west side of Romania, namely IPW Arad and IPW Oradea.

Disposal of Investment Property not in the Ordinary Course of Business
The Group enters into contracts with customers to sell properties that are completed. The sale of a completed property is generally expected to be the only performance obligation and the Group has determined that it will be satisfied at the point in time when control transfers. For unconditional exchange of contracts, this is generally expected to be when legal title transfers to the customer. For conditional exchanges, this is expected to be when all significant conditions are satisfied. The recognition and measurement requirements in IFRS 15 are applicable for determining the timing of derecognition and the measurement of consideration (including applying the requirements for variable consideration) when determining any gains or losses on disposal of non-financial assets when that disposal is not in the ordinary course of business.

3.2 Investment Property – Leasehold Policy

Lessee's Accounting
In certain contracts, the Group acts as a lessee such as the right of perpetual usufruct of the land (the "RPU"), short-term office rentals, car parking and office equipment.

For the low-value lease contracts, the Group applies the recognition exemptions permitted by the standard. Therefore, cash payments for the principal portion of the lease liability of such short-term lease payments or payments for leases of low-value assets (such as office rentals, car parking and office equipment) are included within operating activities as an expense in the same period.

Right of Perpetual Usufruct of the Land (The "RPU")
Under IFRS 16, right-of-use assets that meet the definition of investment property are required to be presented in the statement of financial position as an investment property. The Group has the right of perpetual usufruct of the land (the "RPU" or "right-of-use assets") contracts for the property portfolio in Poland which meet the definition of investment property under IAS 40. Therefore, the Group has combined its "Right-of-use assets" being Investment property –leasehold under the line item "Investment property" along with the investment property – freehold in the statement of financial position. The corresponding lease liabilities are presented under the line item 'Lease liabilities' as non-current and the related short-term portion are presented in the line item "Current portion of lease liability".

SECTION II: INVESTMENT PROPERTY (CONTINUED)

3 Investment Property continued

3.2 Investment Property – Leasehold continued

Valuation Techniques, Key Inputs and Underlying Management's Estimations and Assumptions

To arrive at the carrying amount of the investment property using the fair value model, the Group recognised the right-of-use asset at Net Present Value (“NPV”) of future annual fees (that is net of all payments expected to be made under the RPU). The change in the carrying amount of investment property – leasehold was charged to profit and loss and presented under the line “Fair value gain on investment property”. The NPV of right-of-use assets in order to determine the fair value of investment property – leasehold was calculated based on the following key inputs:

	31 December 2021	31 December 2020
Key inputs to determine the present value		
Gross operating lease commitments (€'000)	125,196	128,179
Remaining individual lease term (years)	68-85	69-86
Number of properties under RPU	16	16
Discount rate (%)	5.77	5.77

	31 December 2021 €'000	31 December 2020 €'000
Investment property – leasehold		
Opening balance	31,364	32,077
Transferred to assets held for sale	(9,847)	–
Fair value gain/(loss) on investment property	152	(713)
Closing balance	21,669	31,364

The lease liability is denominated in PLN as disclosed in note 20. The Group measures the lease liability at the present value of the lease payments that are not paid until the statement of financial position date. The lease payments are discounted at 5.77% after deducting from the opening carrying value the annual rental payments of €1.7 million (2020: €1.8 million) and translating at the closing exchange rate of 4.5994 PLN/ EUR (2020: 4.6148) resulted in a foreign exchange gain of €0.03 million (2020: gain of €2.5 million). The interest expense for unwinding effect of the present value of the lease liability for an amount of €1.8 million (2020: €1.3 million) was presented in the statement of comprehensive income under the line “Finance expense”.

	31 December 2021 €'000	31 December 2020 €'000
Lease liability		
Opening balance	29,089	32,077
Transfer to liability directly associated with the assets held for sale	(9,141)	–
Payment during the year	(1,659)	(1,771)
Interest expense on lease liability	1,810	1,288
Foreign exchange (gain)	(34)	(2,505)
Closing balance	20,065	29,089
– Current portion	1,303	1,765
– Non-current portion	18,762	27,324

3.3 Assets held for sale

Policy

Investment property is classified as investment property held for sale when their carrying amount is to be recovered principally through a sale transaction rather than from continuing use and a sale is considered highly probable. Investment property held for sale is stated at the lower of carrying amount and fair value less costs to sell. Investment property held for sale and liabilities directly associated with the assets held for sale are presented separately as current items in the statement of financial position.

In September 2022, the Group entered into a preliminary agreement to sell the properties held by Dolfia sp. z o.o., Ebgaron sp. z o.o., Lamantia sp. z o.o., Nordic Park Offices sp. z o.o. and Warta Tower sp. z o.o., for a total consideration of €125.2 million. The transaction is expected to be concluded during April 2022 and the full consideration will be received in cash. On the transaction date, the Group will receive funds in the amount of the total consideration plus VAT, less approximately €14.5 million, which will constitute a deferred payment. The deferred payment will be received by the Group within the next two months from the transaction date and is subject to a 7% interest rate. The transaction is secured with a non-refundable deposit of €2.5 million paid into an escrow account.

As of 31 December 2021, the Group reclassified the carrying value of this investment under investment property held for sale and disclosed separately the liabilities directly associated with the assets held for sale, as there was already a signed preliminary sale and purchase agreement in place for the sale at that date. As the consideration receivable less costs to sell exceeded the carrying value of the property, no gain or loss was recognised in the income statement upon the reclassification from investment property to investment property held for sale.

	Note	31 December 2021	31 December 2020
Completed Investment property	3.1	120,690	–
Investment property – leasehold	3.2	9,847	–
Investment property held for sale		130,537	–
Lease liabilities	3.2	9,141	–
Deferred tax liability	11.1	5,586	–
Liabilities directly associated with the assets held for sale		14,727	–
Net assets held for sale		115,810	–

4 Fair Value Measurement and Related Estimates and Judgements

Policy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group measures at fair value the investment properties freehold and leasehold (non-financial assets), equity investments (through other comprehensive income) and financial assets at fair value through profit or loss at fair value (recurring) at each statement of financial position date. For financial liabilities, such as interest-bearing loans and borrowings carried at amortised cost using the effective interest rate method, the fair value is disclosed.

For assets and liabilities that are measured in the financial statements at fair value on a recurring basis after initial recognition, the Group determines whether transfers have occurred between levels in the fair value hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Further information on financial assets such as equity investments and financial assets at fair value through profit and loss can be found in notes 13, 16 and 17.

Investment Property Measured at Fair Value

The Group's investment property portfolio for Romania was valued by Colliers Valuation and Advisory SRL and Cushman & Wakefield LLP and for Poland by Knight Frank Sp. z o.o. and CBRE Sp. z o.o. All independent professionally qualified valuers hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued using recognised valuation techniques.

Our Property Valuation Approach and Process

The Group's investment department includes a team that reviews twice in a financial year the valuations performed by the independent valuers for financial reporting purposes. For each independent valuation performed, the investment team along with the finance team:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the initial valuation report at acquisition or latest period end valuation report; and
- holds discussions with the independent valuer.

The fair value hierarchy levels are specified under IFRS 13 Fair Value Measurement. Some of the inputs to the valuations are defined as “unobservable” by IFRS 13 and these are analysed in the tables below. Any change in valuation technique or fair value hierarchy (between Level 1, Level 2 and Level 3) is analysed at each reporting date or as of the date of the event or variation in the circumstances that caused the change. As of 31 December 2021 (2020: same) the values of all investment properties were classified as level 3 fair value hierarchy under IFRS 13 and there were no transfers from or to Level 3 from level 1 and level 2.

SECTION II: INVESTMENT PROPERTY (CONTINUED)

4 Fair Value Measurement and Related Estimates and Judgements continued

Valuation Techniques, Key Inputs and Underlying Management’s Estimations and Assumptions

Property valuations are inherently subjective as they are valued on the basis of assumptions made by the valuer. Valuation techniques comprise the discounted cash flows, the sales comparison approach and the residual value method.

The Group has based its assumptions and estimates on the parameters available when the consolidated financial statements were prepared, including the amendments or possible amendments of the current lease contracts due to COVID-19, delays to non-committed capital expenditure, cost-cutting initiatives and delays in construction activity. Consideration was also given to the possible impact of the stay at home and social distancing measures imposed by governments in countries in which it operates. The key assumptions concern the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. However, all such assumptions or estimates are sensitive to change due to the current market environment in light of COVID-19. Such uncertainty is reflected in the assumptions used for the valuation and the Group disclosed below the sensitivity to different key inputs to overall valuation.

Key information about fair value measurements, valuation technique and significant unobservable inputs (Level 3) used in arriving at the fair value under IFRS 13 are disclosed below:

Class of property	Carrying value						
	2021 €'000	2020 €'000	Valuation Technique	Country	Input	2021	2020
Completed	1,447,220 ¹	1,497,420	DCF	Poland	Rent per sqm Discount rate	€11.5–€24 4.53%–11.56%	€11.5–€24 4.18%–10.87%
Completed held for sale	(120,690)	–			Exit yield	5.25%–7.50%	5.34%–8.50%
Investment property	1,336,200	1,119,000	DCF	Romania	Rent per sqm Discount rate Exit yield	€2.91–€35.00 7.50%–8.75% 6.25%–8.00%	€3.40–€35.00 7.50%–8.75% 6.25%–8.00%
	–	102,300	DC	Romania	Rent per sqm Exit yield	– –	€2.90–€9.95 6.85%–7.75%
Sub-total	2,662,730 55,531	2,718,720 59,600	SC	Romania	Sales value (sqm)	€1,848	€1,843
	2,718,261	2,778,320					
Investment property under development	9,550	9,550	RM	Poland	Rent per sqm Discount rate Exit yield Capex (€m)	€13.50 6.76%-7.53% 6.50% €26.64	€13.50 6.50%-7.64% 6.50% €27.98
	21,300	50,200	RM	Romania	Rent per sqm Discount rate Exit yield Capex (€m)	€3.75–€15.00 7.75%- 9.00% 6.75%-7.75% €43.43	€11.00–€15.00 9.00% 7.00%-7.75% €57.40
Investment property under refurbishment	156,000	103,130	RM	Poland	Rent per sqm Discount rate Exit yield Capex (€m)	€13.25-€14.00 6.77%-7.82% 6.87%-7.62% €30.24	€14.00 4.53%-9.18% 6.88% €29.14
Land bank – for further development	15,200	17,050	SC	Romania	Sales value (sqm)	€25.00- €2,626.58	€25.00-€2,500
	24,100	23,400	RM	Romania	Rent per sqm Exit yield	€2.75-17.00 6.85%-8.25%	€2.75-16.50 7.00%-8.25%
TOTAL	2,944,411	2,981,650					

1 This value includes the assets held for sale amounting to €120.69 million in the completed investment property portfolio in Poland (see note 3.3).

DCF: Discounted Cash Flows, DC: Direct Capitalisation, SC: Sales Comparison, RM: Residual Method

All classes of property portfolio were categorised as Level 3 under fair value hierarchy. The fair value movement on investment property recognised, as loss, in the income statement includes an amount of €5.7 million (2020: loss of €116.2 million) for fair value measurements as of the statement of financial position date related to investment properties categorised within Level 3 of the fair value hierarchy. In arriving at estimates of market values as at 31 December 2021 and 2020, the independent valuation experts used their market knowledge and professional judgement and did not rely solely on comparable historical transactions. In these circumstances, there was a greater degree of uncertainty in estimating the market values of investment properties than would have existed in a more active market.

Sensitivity Analysis on Significant Estimates Used in the Valuation

The assumptions on which the property valuations have been based include, but are not limited to, rent per sqm (per month), discount rate, exit yield, the cost to complete, comparable market transactions for the land bank for further development, tenant profile for the rented properties, and the present condition of the properties. These assumptions are market standard and in line with the International Valuation Standards (“IVS”). Generally, a change in the assumption made for the rent per sqm (per month) is accompanied by a similar change in the rent growth per annum and discount rate (and exit yield) and an opposite change in the other inputs.

A quantitative sensitivity analysis, in isolation, of the most sensitive inputs used in the independent valuations performed, as of the statement of financial position date, is set out below:

Investment property	Year	Country	€0.5 change in rental value per month, per sqm ¹		25 bps change in market yield		5% change in Capex		€50 change in sales prices per sqm ²		2.5% change in vacancy in Perpetuity ³	
			Increase €'000	Decrease €'000	Increase €'000	Decrease €'000	Increase €'000	Decrease €'000	Increase €'000	Decrease €'000	Increase €'000	Decrease €'000
– Completed	2021	Poland	40,140	(40,120)	(66,510)	72,480	–	–	–	–	–	–
	2021	Romania	33,800	(33,800)	(33,300)	36,200	–	–	1,800	(1,700)	(15,200)	12,500
	2020	Poland	41,020	(41,140)	(64,510)	70,160	–	–	–	–	–	–
	2020	Romania	33,700	(34,000)	(30,900)	33,600	–	–	1,900	(1,800)	(13,600)	10,200
– Under development	2021	Poland	1,450	(1,450)	(1,670)	1,810	(1,320)	1,320	–	–	–	–
	2021	Romania	2,400	(2,300)	(1,300)	1,400	(800)	1,000	–	–	–	–
	2020	Poland	1,450	(1,450)	(1,670)	1,810	(1,530)	1,530	–	–	–	–
	2020	Romania	3,600	(3,600)	1,400	(1,100)	(2,700)	2,600	–	–	–	–
– Under refurbishment	2021	Poland	5,400	(5,390)	(6,490)	6,990	(590)	590	–	–	–	–
	2020	Poland	3,620	(3,610)	(4,720)	5,090	(1,750)	1,750	–	–	–	–
	2021	Poland	–	–	–	–	–	–	–	–	–	–
– Further development	2021	Romania	2,200	(2,000)	(1,900)	2,200	(2,300)	2,500	1,400	(1,500)	–	–
	2020	Poland	–	–	–	–	–	–	–	–	–	–
	2020	Romania	2,000	(2,000)	(1,800)	2,000	(2,200)	2,200	1,450	(1,600)	–	–

1. The quantitative sensitivity analysis was computed as €0.25 change in rental value per month, per sqm for four industrial properties (2020: two industrial properties at €0.25 change in rental value per month, per sqm).
2. The quantitative sensitivity analysis was computed as a €1.5 change in sales price per sqm for industrial properties portfolio.
3. The vacancy in perpetuity sensitivity analysis is not followed for the Polish properties portfolio as this factor is considered in the valuation methodology as part of yields and not a variable in isolation.

Other Disclosures Related to Investment Property

Interest-bearing loans and borrowings are secured on investment property, see note 14 for details. Further information about individual properties is disclosed in the Portfolio Review section of the Annual Report.

SECTION II: INVESTMENT PROPERTY (CONTINUED)

4 Fair Value Measurement and Related Estimates and Judgements continued

4.1 Investment Properties Owned by Joint Ventures

	Completed investment property €'000	Investment property under development €'000	Land for further development €'000	TOTAL €'000
1 January 2020	–	6,400	23,100	29,500
Subsequent expenditure	965	14,600	522	16,087
Net lease incentive movement	223	102	–	325
Capitalised borrowing costs	–	311	–	311
Transfer from investment property under development	24,976	(24,976)	–	–
Fair value gain/(loss) on investment property	(364)	3,563	1,778	4,977
31 December 2020	25,800	–	25,400	51,200
Land acquisition	–	–	130	130
Subsequent expenditure	11,742	10,196	864	22,802
Net lease incentive movement	789	–	–	789
Capitalised borrowing costs	202	87	–	289
Transfer to completed investment property	1,200	–	(1,200)	–
Transfer to investment property under development	–	2,804	(2,804)	–
Fair value gain/(loss) on investment property	(2,333)	613	13,210	11,490
31 December 2021	37,400	13,700	35,600	86,700

Sensitivity Analysis on Significant Estimates Used in the Valuation of Investment Properties Owned by the Joint Venture

As disclosed in note 27, the Group also has an investment in two joint ventures where investment properties were valued at fair value under the similar Group accounting policies by Colliers Valuation and Advisory SRL.

The table below describes key information about fair value measurements, valuation technique and significant unobservable inputs (Level 3) used in arriving at the fair value under IFRS 13.

Class of Joint venture property	Carrying value		Valuation technique	Country	Input	Range	
	2021 €'000	2020 €'000				2021	2020
Completed Investment property	37,400	13,800	DCF	Romania	Rent per sqm	€2.00–€8.50	€3.00–€7.35
					Discount rate	8.50%	8.50%
					Exit yield	7.25%–7.50%	7.75%
	–	12,000	DC	Romania	Rent per sqm	–	€3.12–€8.50
					Discount rate	–	8.75%
					Exit yield	–	7.75%
Investment property under development	13,700	–	RM	Romania	Discount rate	8.50%	–
					Exit yield	7.25%–7.50%	–
					Capex (€m)	€14.69	–
Land bank – for further development	35,600	25,400	SC	Romania	Sales value sqm	€29.00–€70.00	€23.00–€42.00
TOTAL	86,700	51,200					

DCF: Discounted Cash Flows, DC: Direct Capitalisation, SC: Sales Comparison, RM: Residual Method

A quantitative sensitivity analysis (for properties owned by joint ventures), in isolation, of the most sensitive inputs used in the independent valuations performed, as of the statement of financial position date, are set out below:

Joint Ventures Investment Property	Year	Country	€0.25 change in rental value per month, per sqm		25 bps change in market yield		5% change in capex		€1.5 change in sales prices per sqm		2.5% change in vacancy in perpetuity	
			Increase €'000	Decrease €'000	Increase €'000	Decrease €'000	Increase €'000	Decrease €'000	Increase €'000	Decrease €'000	Increase €'000	Decrease €'000
– Completed	2021	Romania	700	(800)	(600)	600	–	–	–	–	(500)	500
	2020	Romania	1,200	(1,100)	(400)	400	–	–	–	–	(400)	400
– Under development	2021	Romania	1,600	(1,800)	(800)	600	(800)	600	–	–	–	–
	2020	Romania	–	–	–	–	–	–	–	–	–	–
– Further development	2021	Romania	–	–	–	–	–	–	1,400	(1,200)	–	–
	2020	Romania	–	–	–	–	–	–	1,600	(1,500)	–	–

5 Advances for Investment Property

	2021 €'000	2020 €'000
Advances for land and other property acquisitions	2,000	2,000
Advances to contractors for investment properties under development	1,436	2,215
	3,436	4,215

6 Commitments

Commitments for Investment Property

As at 31 December 2021 the Group had agreed to construction contracts with third parties and is consequently committed to future capital expenditure in respect of completed investment property of €20.0 million (2020: €12 million), investment property under development of €3.5 million (2020: €20.3 million) and had committed with tenants to incur incentives (such as fit-out works and other lease incentives) of €13.8 million (2020: €15.9 million).

The Group's Joint Ventures were committed to the construction of investment property for the amount of €6.3 million at 31 December 2021 (2020: €0.1 million).

Operating Leases Commitments – Group as Lessor

Policy

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets, or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases and such lease agreements fall within the scope of IFRS 16; see note 7 for policies on revenue recognition for properties under operating leases.

Judgements Made for Properties Under Operating Leases, being the Lessor

The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of the investment properties leased to third parties and, therefore, being the lessor accounts for these leases as operating leases.

The duration of these leases is one year or more (2020: one year or more) and rentals are subject to annual upward revisions based on the consumer price index. The future aggregate minimum rentals receivable under non-cancellable operating leases for investment properties – freehold are as follows:

	2021 €'000	2020 €'000
Not later than 1 year	155,902	171,841
Later than 1 year and not later than 5 years	389,289	433,228
Later than 5 years	152,647	186,307
	697,838	791,376

SECTION III: FINANCIAL RESULTS

This section quantifies the financial impact of the operations for the year, further analysis on operations is presented in the Financial Review section of the Annual Report. This section includes the results and performances of the Group, including earnings per share and EPRA Earnings. This section also includes details about the Group’s tax position in the year and deferred tax assets and liabilities held at the year-end.

7 Revenue

Policy

7.1 Rental Income

For investment properties held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of IFRS 16. Rental income is measured at the fair value of the consideration received or receivable, except for contingent rental income which is recognised when it arises. The value of lease agent commission, rent-free periods, fit-out incentives and all similar lease incentives is spread on a straight-line basis over the term of the lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which the benefit derived from the leased asset is diminished. If the annual lease rent increases as a result of a price index to cover the inflationary cost, then the policy is not to spread the amounts but to recognise them when the increase takes place (applied prospectively when the right to receive it arises). The amounts received from tenants to terminate non-cancellable operating leases are recognised in the statement of comprehensive income when the right to receive them arises.

7.2 Revenue from Contracts with Customers

7.2a) Service Charge Income

The lease agreements include certain services offered to tenants comprising the overall property management, including common area maintenance services as well as other administrative and support services. The Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. These services are specified in the lease agreements and separately invoiced.

The Group has concluded that these services represent a series of daily services that are satisfied over time and apply a time-elapsd measure of progress. The consideration charged to tenants for these services includes fees charged based on the area occupied by the tenant and reimbursement of certain expenses incurred. The Group has determined that this variable consideration generally relates to this non-lease component and that allocating it over the period of service meets the variable consideration allocation criteria under IFRS 15. The Group has identified a few lease agreements with non-triple net clauses, where the service charge was capped, which required the reclassification of €0.5 million from the rental revenues to service charge revenue during 2021 (2020: €0.6 million).

7.2b) Fit-out Services Income

For contracts relating to fit-out services, the Group is responsible for the overall management of the project and identifies various goods and services to be provided, including architectural work, procurement of materials, site preparation, framing and plastering, mechanical and electrical work, installation of fixtures and finishing work. In such contracts, the Group has determined that the goods and services are not distinct and has accounted for them as a single performance obligation.

Under IFRS 15, the Group recognises revenue over time because it expects that control will transfer over time. In certain fit-out contracts, its performance creates an asset that the tenant controls as the asset is created. In other cases, its performance does not create an asset with an alternative use to the Group and the Group has concluded that it has an enforceable right to payment for performance completed to date.

The Group has measured the stage of completion (i.e. performance measurement over time) for the revenue recognition from distinctive fit-out project using a cost input method, by reference to the costs incurred to date on a project for the satisfaction of a performance obligation relative to the total budgeted costs of the project to the completion.

7.2c) Rendering of Services

Revenue from asset management fees, marketing and other income which are recognised at the time the service is provided.

	2021 €'000	2020 €'000
Contracted rent	176,421	180,926
Adjustment for lease incentives	(26,122)	(20,474)
Rental income	150,299	160,452
Revenue from contracts with customers		
Service charge income	63,105	58,345
Fit-out services income	5,814	3,796
Asset management fees	34	–
Marketing and other income	98	716
	69,051	62,857
	219,350	223,309

The adjustment for lease incentives includes €0.7 million amortisation impact for COVID-19-related rent concession given during the year-ended 2021 (2020: €0.8 million).

The total contingent rents and surrender premia recognised as rental income during the year amount to €1.6 million (2020: €0.5 million) and €1.6 million (2020: €1.5 million), respectively.

Principal Rather than Agent

The Group arranges for third parties to provide certain services to the tenants either as part of service charges or fit-out services. Under IFRS 15, the Group concluded it was the principal because it is primarily responsible for fulfilling the promise to perform the specific services and the Group bears all risks (e.g., credit risk and inventory risk on these transactions as it is obliged to pay the service provider even if the customer defaults on payment). The Group determined that it controls the service before it is provided to the tenant and, hence, it is the principal rather than the agent in these contracts. As a result, the Group has concluded that it is acting as a principal in all of the above-mentioned revenue arrangements.

8 Operating Expenses

Policy

a) Service Costs

Service costs paid, as well as those borne on behalf of the tenants, are included under direct property expenses. Reclaiming them from tenants is presented separately under revenue, see note 7.

b) Works Carried Out on Properties

Works carried out which are the responsibility of the building's owner and which do not add any extra functionality to, or enhance significantly, the standard of comfort of the building are considered as current expenditure for the year and recorded in the income statement as expenses.

	2021 €'000	2020 €'000
Property management, utilities and insurance	67,930	60,096
Property maintenance costs and other non-recoverable costs	1,632	1,661
Property expenses arising from investment property that generate rental income	69,562	61,757
Property expenses arising from investment property that did not generate rental income	27	689
Fit-out services costs	5,509	3,585
	75,098	66,031

SECTION III: FINANCIAL RESULTS (CONTINUED)

9 Administrative expenses

Policy

Administrative expenses are expensed as incurred with the exception of expenditure on long-term developments, see note 3. Subsidiary acquisition costs are presented separately in the consolidated statement of comprehensive income as “Acquisition costs”.

	Note	2021 €'000	2020 €'000
Directors' emoluments ¹		1,764	1,359
Salaries and wages ^{1,2}		6,357	7,181
Accounting, secretarial and administration costs		535	587
Legal and other advisory services		1,248	1,995
Audit and non-audit services ³		842	874
Corporate social responsibility	9.1	1,143	1,761
Travel and accommodation		160	262
Marketing and advertising services		954	443
Post, telecommunication and office supplies		516	607
Stock exchange expenses		571	601
Exceptional and/or non-recurring expenses ⁴		11,532	2,316
		25,622	17,986

1. Costs of €5.9 million (2020: €3.8 million) associated with the team of Executive Directors and other employees who worked on CAPEX projects for standing and under develop-ment properties were capitalised in line with the progress made on the properties under development during the year.
2. During the year, the Group contributed €0.3 million (2020: €0.2 million) and nil (2020: €0.01 million) to the mandatory Government Pension Fund of the employees and key management of the Group, respectively.
3. Refer to the Audit Committee report for details on the fees charged by the Company's Auditors for the year.
4. During the year ended 31 December 2021, exceptional and non-recurring expenses include mainly professional advisory fees, Non-Executive Director's fees and salary-re-lated costs incurred in connection with the cash offer for Globalworth shares, made by CPI Property Group S.A. and Aroundtown SA through Zakiono Enterprises Limited in May 2021. During the year ended 31 December 2020, non-recurring expenses included restructuring costs and COVID-19 related expenses.

9.1 Corporate Social Responsibility

	2021 €'000	2020 €'000
Total expenditure of the Globalworth Foundations during the year	1,335	1,966
Donations from employees and other third parties	(192)	(205)
Corporate social responsibility expenditure supported by the Group	1,143	1,761

10 Finance Cost

Policy

Borrowing costs associated with direct expenditure on properties under development or undergoing major refurbishment are capitalised. Where borrowings are associated with specific developments, the amount capitalised is the gross interest less finance income (if any) incurred on those borrowings. Interest is capitalised from the commencement of the development work until the date of practical completion. Arrangement fees are amortised over the term of the borrowing facility. All other borrowing costs are expensed in the period in which they occur.

	Note	2021 €'000	2020 €'000
Interest on secured loans		7,086	6,906
Interest on the unsecured revolving facility		–	1,028
Interest on fixed-rate bonds		37,051	33,013
Debt cost amortisation and other finance costs	10.1	8,394	7,946
Interest on lease liability	3.2	1,810	1,288
Bank charges		1,198	959
		55,539	51,140

10.1 Debt Cost Amortisation and Other Finance Costs

	2021 €'000	2020 €'000
Debt issue cost amortisation – secured bank loans	522	299
Debt issue cost amortisation – unsecured revolving facility	1,497	1,434
Debt issue cost amortisation – fixed rate bonds	6,375	6,202
Debt close-out costs	–	11
	8,394	7,946

The Company capitalised borrowing costs in the value of investment property, amounting to €0.5 million (2020: €1.5 million), using a capitalisation-weighted average rate of 3.33% (2020: 3.40%).

11 Taxation

Policy

Current Income Tax

Current income tax represents the tax payable on the taxable income of the year applying the tax rates applicable at the statement of financial position date. In cases where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income statement in the period in which the determination is made. The tax cost for the year is included in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised in equity.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements at the income tax rate applicable at the reporting date, with the following exceptions:

- the temporary difference arises from the initial recognition of goodwill, or of an asset, or liability in a transaction that is not a business combination. As a result, at the time of the transaction affects neither accounting nor taxable profit or loss;
- deferred tax assets are only recognised to the extent that it is foreseeable that there will be a taxable profit available to be utilised against the deductible temporary differences, carried forward tax credits or tax losses; and
- in respect of taxable temporary differences related to investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is most likely that the temporary difference will not be reversed in the foreseeable future.

The unrecognised deferred income tax asset is reassessed at each reporting date and is recognised to the extent, it has become probable that the future taxable profit will allow for the recovery of such deferred tax asset. Deferred tax assets and liabilities are offset, if provided by law and the deferred taxes relate to the same taxable entity and the tax authority.

	2021 €'000	2020 €'000
Current income tax expense	2,492	3,711
– Related to the current year	2,471	3,480
– Related to the prior year	21	231
Deferred income tax expense	12,091	12,624
	14,583	16,335

Current Income Tax Expense

The corporate income tax rate “CIT” applicable to the Company in Guernsey is nil. The subsidiaries in Romania, Poland and Cyprus are subject to tax on local sources of income. The current income tax expense of €2.5 million (2020: €3.7 million) represents the profit tax for the Group. The taxable income arising in each jurisdiction is subject to the following standard corporate income tax rates: Poland at 19% (small entities with revenue up to €2.0 million, whereas €1.2 million for 2020, in the given tax year and entities starting a new business for their first tax year of operation, under certain conditions, are charged a reduced rate of 9%), Romania at 16% and Cyprus at 12.5%.

The Group's subsidiaries in Poland are subject to the minimum tax, which is applied to income from ownership of certain high-value fixed assets having an initial value of the asset exceeding PLN 10 million at a rate of 0.035% per month. From 2019, the taxpayer has a right to apply for the refund of previously paid minimum tax which was not deducted from the advance corporate income tax. This minimum tax can be set off against CIT if CIT is higher. The tax is applied only to leased buildings while no tax applies on vacant buildings or vacant space in partially occupied buildings. Due to the COVID-19 pandemic the minimum tax scheme was suspended for the period from 1 March 2020 until the pandemic will remain enforced and the Group's subsidiaries are subject to corporate income tax.

SECTION III: FINANCIAL RESULTS (CONTINUED)

11 Taxation continued

Policy continued

Current Income Tax Expense continued

The Group's subsidiaries registered in Cyprus need to comply with the tax regulations in their respective countries; however, the Group does not expect to generate significant taxable income, other than dividend and interest income, these being the most significant future sources of income of the Group companies registered in Cyprus. Dividend income is tax-exempt under certain conditions and interest income, however, is subject to corporate income tax at the rate of 12.5% in Cyprus.

Judgements and Assumptions Used in the Computation of Current Income Tax Liability

There are uncertainties in Romania and Poland where the Group has significant operations and this is due to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile. In Romania and Poland, the tax position is open to further verification for five years and no subsidiary in Romania has had a corporate income tax audit in the last five years while in Poland some entities are currently under tax audit with respect to the corporate income tax settlement for the fiscal year 2017.

Reconciliation Between Applicable and Effective Tax Rate

The reconciliation between tax expense and the product of accounting profit multiplied by the Company's income tax rate for the year ended 31 December 2021 and 31 December 2020 is as follows:

	2021 €'000	2020 €'000
Profit/(loss) before tax	62,072	(30,460)
Less: Non-deductible unrealised fair value loss on investment property	(5,738)	(116,153)
Profit before fair value loss on investment property and tax	67,810	85,693
At the Company's income tax rate 0% (2020: 0%)	–	–
Effect of higher tax rates in foreign jurisdictions		
Tax in Romania		
– Corporate income tax	933	1,289
– Deferred tax expense for taxable temporary differences	10,003	4,489
– related to current year	8,616	1,291
– related to prior year's tax losses	1,387	3,198
Tax in Cyprus		
– Corporate income tax	–	125
Tax in Poland		
– Corporate income tax	1,559	2,297
– Deferred tax expenses for taxable temporary differences	2,088	8,135
– related to the current year	(530)	299
– related to the prior year's tax losses	2,618	7,836
Tax expense reported in the income statement	14,583	16,335
Effective tax rate, including deferred tax expenses (%)	21.5%	19.1%
Effective tax rate, excluding deferred tax expenses (%)	3.7%	4.3%

11.1 Deferred Tax (asset)/liabilities

	Note	2021 €'000	2020 €'000
Deferred tax asset		(151)	(786)
Deferred tax liabilities directly associated with the assets held for sale	3.3	(5,586)	–
Deferred tax liabilities		156,299	144,843
		150,562	144,057

Deferred Income Tax Expense

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	2021 €'000	2020 €'000	2021 €'000	2020 €'000
Net Deferred Tax				
Acquired through asset acquisition	–	–	–	330
Valuation of investment property at fair value	181,542	171,197	10,345	13,576
Deductible temporary differences	(2,587)	(3,657)	1,070	(2,135)
Interest expense and foreign exchange loss on intra-group loans	(19,609)	(20,017)	408	(6,173)
Discounting of tenant deposits and long-term deferred costs	72	63	9	(12)
Share issue cost recognised in equity	(7)	(7)	–	–
Valuation of financial instruments at fair value	139	112	27	(1,113)
Recognised unused tax losses	(3,402)	(3,634)	232	8,151
	156,148	144,057	12,091	12,624

The Group has unused assessed tax losses carried forward of €54.3 million (2020: €63.4 million) in Romania and €20.8 million (2020: €20.2 million) in Poland that are available for offset against future taxable profits of the entity which has the tax losses. The tax losses in Romania and Poland can be carried forward over seven and five consecutive tax years from the year of origination, respectively. In Poland, in any particular tax year, the taxpayer may not deduct more than 50% of the loss incurred in the year for which it was reported. Additionally, starting from 2020, the taxpayer may utilise one-time tax losses generated after 31 December 2018 in the amount of being greater than PLN 5 million or 50% of tax loss of a given fiscal year in the following five fiscal years.

As of the statement of financial position date the Group recognised deferred tax assets of €3.4 million (2020: €3.6 million) in Romania and Poland for which deferred tax asset recognition criteria were met under IAS 12, out of the total available deferred tax assets of €11.7 million (2020: €14.0 million), calculated at the corporate income tax rates of 16% in Romania and 19% (9% for small entities) in Poland.

Expiry year	2022	2023	2024	2025	2026	2027	2028	TOTAL
Total available deferred tax assets (€m)	1.8	2.1	4.4	0.7	1.7	0.3	0.7	11.7

From the above total available deferred tax assets, €8.3 million (2020: €10.4 million) deferred tax asset was not recognised (Romanian and Poland) in the income statement of the Group as the amount could not be utilised from the future taxable income as per the criteria under IAS 12.

There are also temporary non-deductible interest expenses and net foreign exchange losses of €258.4 million, of which €51.2 million in Romania and €207.2 million in Poland (2020: €192.2 million, of which €32.8 million in Romania and €159.4 million in Poland) related to intercompany and bank loans. Each year an amount up to 30% of tax EBITDA (plus PLN 3 million in Poland based on the recent Supreme Court sentence for the periods 2019-2021) would become tax-deductible, for which €19.7 million (€1.3 million in Romania and €18.4 million in Poland) deferred tax asset was recorded (2020: €20.0 million, €1.5 million in Romania and €18.5 million in Poland).

In Romania such temporary non-deductible interest expenses can be carried forward indefinitely until it is tax deductible as per EBITDA threshold. However, in Poland interest expense which was already paid prior to financial position date (and corresponding net foreign exchange loss on such interest expense) can only be utilised over five consecutive tax years from the year of origination and unpaid interest expense (and corresponding net foreign exchange loss on such interest expense) is available for utilisation indefinitely. As of 31 December 2021, out of total €18.4 million (2020: €18.5 million) deferred tax asset on interest expense and foreign exchange loss recognised in Poland €6.0 million (2020: €2.9 million) is available for utilisation in five years from the origination.

Judgements, Estimates and Assumptions Used for Assessed Tax Losses and Related Deferred Tax Assets

At each statement of financial position date, the Group assesses whether the realisation of future tax benefits is sufficiently probable to recognise deferred tax assets. This assessment requires the exercise of judgement on the part of management with respect to, among other things, benefits that could be realised from available tax strategies and future taxable income, as well as other positive and negative factors. Based on the above assessment, the Group recognised deferred tax expense related to deferred tax asset for fiscal losses carried forward for an amount €0.2 million (2020: deferred tax loss of €8.2 million) representing derecognition of deferred tax assets of €0.4 million (2020: derecognition of €2.7 million) in Romania, due to improved actual tax results and transition of some subsidiaries to a taxable profit position, and recognition of deferred tax assets of €0.8 million (2020: derecognition of €5.5 million) in Poland, due to improved forecasts for future taxable profits in the Polish subsidiaries.

The recorded amount of total deferred tax assets could be reduced if estimates of projected future taxable income, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of the Group's ability to utilise future tax benefits.

SECTION III: FINANCIAL RESULTS (CONTINUED)

12 Earnings Per Share

The following table reflects the data used in the calculation of basic and diluted earnings per share per IFRS and EPRA guidelines:

Date	Event	Note	Number of shares issued ('000)	% of the year	Weighted average ('000)
1 Jan 2020	At the beginning of the year		221,479		221,479
April-Sep 2020	– Shares purchased with cash by the Company		(1,562)	37	(578)
July 2020	– Shares issued under the Executive share option plan (vested and exercised)		43	48	21
July-Sep 2020	– Shares allotted under Subsidiaries' employee Share Award plan (vested)		337	41	138
2020	Shares in issue at year-end (basic)		220,297		221,060
Jan–Dec 2020	Effect of dilutive shares		1,189	86	1,021
2020	Shares in issue at year-end (diluted)		221,486		222,081
1 Jan 2021	At the beginning of the year		220,297		220,297
Jan-July 2021	– Treasury shares vested and exercised under several share award plans during the year	24	1,056	63	660
July 2021	– Shares issued under Executive share option plan (vested and exercised)	24	20	48	10
2021	Shares in issue at year-end (basic)		221,373		220,967
Jan 2021	– At the beginning of the year		895	100	895
Jan–Dec 2021	Effect of dilutive shares transferred to basic on exercise by share-based award participants		(895)	65	(580)
2021	Shares in issue at year-end (diluted)		221,373		221,282

Subsequent to 31 December 2021, no new shares were issued.

Unvested share option warrants of 2.83 million were not included in the basic or diluted number of shares being unvested and anti-dilutive on issue date (refer to note 24.1 for further information).

	2021 €'000	2020 €'000
Profit/(loss) attributable to equity holders of the Company for the basic and diluted earnings per share	47,489	(46,795)
IFRS earnings per share	cents	cents
– Basic	21	(21)
– Diluted	21	(21)

Key Alternative Performance Measures

The Company distributes on a semi-annual basis dividend to its shareholders of not less than 90% of the Company's funds from operations, estimated using EPRA earnings, subject to solvency and other legal requirements. EPRA earnings is a non-IFRS measure.

EPRA Earnings Per Share

The following table reflects the reconciliation between IFRS earnings as per the statement of comprehensive income and EPRA earnings (non-IFRS measure):

	Note	2021 €'000	2020 €'000
Earnings attributable to equity holders of the Company (IFRS)		47,489	(46,795)
Changes in fair value of financial instruments and associated close-out costs		(636)	(584)
Fair value loss on investment property	3	5,738	116,153
Losses on the disposal of investment properties		471	387
Changes in the value of financial assets at fair value through profit or loss	16	386	47
Acquisition costs		–	2,689
Deferred tax charge in respect of above adjustments		10,372	12,464
Adjustments in respect of joint ventures and other items		(4,734)	(2,049)
EPRA earnings attributable to equity holders of the Company		59,086	82,312
EPRA earnings per share		cents	cents
– Basic		27	37
– Diluted		27	37

SECTION IV: FINANCIAL ASSETS AND LIABILITIES

This section focuses on financial instruments, together with the working capital position of the Group and financial risk management of the risks that the Group is exposed to at year end.

13 Financial instruments

Policy

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 instruments are recognised on the balance sheet when the Group becomes a party to the contractual obligations of the instrument. The Group determines the classification of its financial assets and financial liabilities at initial recognition.

Under IFRS 9 the Group classifies its financial assets in the two main measurement categories, those to be measured subsequently at fair value (either through OCI or through profit or loss) and those to be measured at amortised cost. The classification of the financial asset in either of the above categories depends on the Group’s business model for managing the financial asset and the contractual terms of the cash flows. The Group reclassifies the financial instrument when and only when its business model for managing those assets changes.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

Under IFRS 9 transaction costs that are directly attributable to the acquisition of the financial asset are recognised in the carrying amount at the initial date in case of a financial asset not at fair value through profit or loss (“FVPL”). Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

A financial asset and a financial liability are offset and the net amount is reported in the statement of financial position if, and only if, the Group has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial Assets

Financial assets of the Group mainly include cash and cash equivalents, contract assets, trade and other receivables and guarantees retained by tenants, loan receivables from joint ventures, equity investments and financial assets at fair value through profit or loss.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired; or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial Assets at Amortised costs

Cash and cash equivalents, contract assets, trade and other receivables, other receivables, guarantees retained by tenants, vat and other taxes receivable, income tax receivable and loan receivables from joint ventures.

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Interest income from the financial assets at amortised costs is included in finance income using the effective interest rate method and are subject to impairment. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income or expenses.

Note 20.2 provides information about the Group’s exposure to credit risk and the impairment loss recognised during the year on the financial assets subject to impairment.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments that are readily convertible into cash and which are subject to an insignificant risk of change in value. Such investment includes cash in hand and cash balances at banks and short-term bank deposits with a maturity of three months or less.

Trade and other Receivables

Trade receivables are amounts due from tenants for rent and services performed in the ordinary course of business. They are generally due for settlement within 30 days and assessed as working capital in the ordinary course of business; therefore, they are all classified as current. Trade receivables are recognised initially at the amount of consideration under IFRS 15 that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade and other receivables, together with the associated provision if any, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If collection is expected in more than one year, they are classified as non-current assets.

Contract Asset

A contract asset is initially recognised for revenue earned from service charge income, fit-out services income and rendering of other services, the revenue stream is disclosed in note 7, because the receipt of consideration is conditional on successful completion of the services. Once a fiscal invoice is issued after the completion of services the contract assets are reclassified to trade receivables.

Equity Investments through Other Comprehensive Income (With no recycling of cumulative gains and losses upon derecognition)

Financial assets at fair value through other comprehensive income (“FVOCI”) comprise equity investments which are not held for trading, and at initial recognition the Group, at its sole irrevocable option under IFRS 9, designates the unquoted equity investment as financial assets at fair value through other comprehensive income. Under this option, qualifying dividends are recognised in profit or loss. Changes in fair value, net of deferred tax if any, are recognised in other comprehensive income.

Subsequently, if the equity investment will be derecognised then the impact of derecognition will remain in the other comprehensive income and will not be reclassified to profit and loss.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The fair value under these valuation techniques is classified as Level 3. The Group uses its judgement to select a variety of methods (including external transactions with third parties to raise equity or convertible debt by the investee, enterprise value using future cash flows, the performance of investee, annual budget and future business plans) and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Financial Assets at Fair Value through Profit or Loss

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

Financial Liabilities

Financial liabilities of the Group mainly comprise interest-bearing loans and borrowings, contract liabilities, trade and other payables, guarantees retained from contractors, finance lease payables, other derivative financial liabilities and tenant security deposits.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Contract Liability

A contract liability is recognised if a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related services. Contract liabilities are recognised as revenue when the Group performs under the contract.

SECTION IV: FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

13 Financial instruments continued

Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The calculation takes into account any premium or discount on the acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Derivative Financial Instruments

Derivatives are recognised initially and are subsequently remeasured at fair value. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Derivative assets and liabilities arising from different transactions are offset only if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis. Fair value movements on derivative financial instruments at fair value through profit and loss account are recognised in the statement of comprehensive income.

14 Interest-Bearing Loans and Borrowings

This note describes information on the material contractual terms of the Group’s interest-bearing loans and borrowings. For more information about the Group’s exposure to market risk, currency risk and liquidity risks, see note 20.

	2021 €'000	2020 €'000
Current portion of:		
Secured loans and accrued interest	3,521	3,580
Unsecured fixed-rate bonds and accrued interest	344,758	22,471
Sub-total	348,279	26,051
Non-current		
Secured loans	356,416	358,836
Unsecured fixed rate bonds	929,225	1,245,207
Sub-total	1,285,641	1,604,043
TOTAL	1,633,920	1,630,094

14.1 Key Terms and Conditions of Outstanding Debt:

Facility	Currency	Nominal interest rate	Maturity date	2021		2020	
				Face value €'000	Carrying value €'000	Face value €'000	Carrying value €'000
Loan 16	EUR	EURIBOR 1 month + margin	May 2025	13,485	13,482	14,724	14,721
Loan 25	EUR	Fixed rate Bond	June 2022	328,066	327,225	328,066	325,460
Loan 37	EUR	Fixed rate Bond	March 2025	562,522	556,920	562,522	555,324
Loan 38 ¹	EUR	Fixed rate & Floating rate EURIBOR 3-month + margin	May 2025	100,110	99,556	100,111	99,405
Loan 41	EUR	EURIBOR 3-month + margin	March 2029	85,313	84,613	85,313	84,505
Loan 43	EUR	EURIBOR 3-month + margin	December 2024	36,032	35,902	37,599	37,438
Loan 44/45	EUR	Fixed rate	February 2027	62,295	62,000	62,295	61,935
Loan 46	EUR	Fixed rate	November 2029	65,045	64,384	65,105	64,412
Loan 48	EUR	Fixed rate Bond	July 2026	405,011	389,838	405,011	386,894
Total				1,657,879	1,633,920	1,660,746	1,630,094

1. Loan 38 was drawn down in two tranches – 95% of the facility carries a fixed interest rate and 5% carries a floating interest rate.

Unsecured Corporate Bonds

In June 2017, the Company issued a €550 million unsecured Eurobond (Loan 25). The five-year Euro-denominated Bond matures on 20 June 2022 and carries a fixed interest rate of 2.875%. In March 2018, the Group issued a €550 million unsecured Eurobond (Loan 37). The seven-year Euro-denominated Bond matures on 29 March 2025 and carries a fixed interest rate of 3.0%.

In July 2020 the Company successfully completed under its €1.5 billion Euro Medium Term Notes Programme the issuance of a €400 million new Notes, due in 2026, by exchanging €226.9 million of the €550 million Notes due in June 2022 (Loan 25) and the remaining amount of €158.7 million, after deduction of buy-back premium and issuance fees, was received in cash which further enhanced the liquidity position of the Group.

Financial Covenants

Financial covenants on unsecured fixed-rate bonds are calculated on a semi-annual basis at 30 June and 31 December each year and include the **14 Interest-Bearing Loans and Borrowings continued** Consolidated Coverage Ratio, with a minimum value of 200%, the Consolidated Leverage Ratio, with a maximum value of 60%, and the Consolidated Secured Leverage Ratio with a maximum value of 30%.

Unsecured Revolving Credit Facility (“RCF”)

As at 31 December 2021, the entire RCF facility of €215 million, a syndicate of local and international banks, was available for utilisation and will continue to be available until the end of March 2024, with maturity at the end of April 2024. The RCF loan terms have been structured to, generally, align with the Company’s existing Euro Medium Term Note (“EMTN”) programme for fixed-rate Bonds. In addition to the financial covenants applicable for unsecured fixed-rate bonds, the RCF facility contains a supplementary financial covenant of the Total Unencumbered Assets Ratio with a minimum value of 125%.

14.2 Secured Facilities

Financial Covenants

Financial covenants on secured loans are calculated based on the individual financial statements of the respective subsidiaries and subject to the following ratios:

- gross loan-to-value ratio (“LTV”) with maximum values ranging from 60%–83% (2020: 60%–83%). LTV is calculated as the loan value divided by the market value of the relevant property (for a calculation date);
- the debt service cover ratio (“DSCR”) minimum values of 120% (2020: 120%). DSCR is calculated, depending on the respective credit facility, on the preceding 12-month historical ratio or projected future 12-month period ratio;
- minimum interest cover ratio (“ICR”), historic with minimum values from 350% and projected with minimum values from 250% (2020: 250%-350%), which was applicable to two properties as at 31 December 2021 (31 December 2020: same). Historic ICR is calculated, as Actual Net Rental Income as a percentage of the Actual Interest Costs for the 12 preceding months period from the calculation date. Projected ICR is calculated as Projected Net Rental Income as a percentage of the Projected Interest Costs for the 12-month commencing immediately after the date of the calculation; and
- debt yield ratio (“DYR”) with minimum values of 5%. DYR is calculated as the 12-month projected net operating Income divided by the loan outstanding value at a relevant calculation date.

Secured bank loans are secured by investment properties which were recognised in the statement of financial position at the fair value of €800.4 million at 31 December 2021 (2020: €796.7 million) and also carry pledges on rent receivable balances of €3.2 million (2020: €2.5 million), VAT receivable balances of €0.9 million (2020: €0.7 million) and a moveable charge on the respective bank accounts (refer to note 19).

The Group is in compliance with all financial covenants and there were no payment defaults during the year 2021 (2020: same). As of 31 December 2021, the Group had undrawn borrowing facilities of €215 million (2020: €215 million).

15 Trade and Other Payables

	2021 €'000	2020 €'000
Current		
Payable for property service charges	11,841	8,574
Payable to suppliers for properties under development	12,637	7,965
Consideration payable for property acquisitions	251	9,580
Deferred income for rent	5,467	6,430
Directors' emoluments payable	26	473
Salaries and related payables	2,004	2,361
Accruals for administrative expenses	1,715	2,286
Accruals for non-recurring costs	3,777	271
Other taxes payable	2,053	2,014
Other short-term payables	17	255
	39,788	40,209
Non-current		
Consideration payable for business acquisition	956	692
	40,744	40,901

SECTION IV: FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

16 Financial Assets at Fair Value through Profit or Loss

Project name	Interest rate	Maturity date	2020 €'000	Additions €'000	Disposal €'000	Valuation loss€'000	Reclassification €'000	2021 €'000
Short term:								
Browary Stage J	fixed	December 2020	43	–	–	–	(43)	–
My Place I (formerly: Beethovena I)	fixed	March 2022	4,229	143	–	(269)	–	4,103
My Place II (formerly: Beethovena II)	fixed	June 2022	3,423	–	(85)	(117)	–	3,221
TOTAL			7,695	143	(85)	(386)	(43)	7,324

Right of First Offer Agreements (“ROFO”)

The fair value of the financial assets (ROFO bonds) is individually determined by taking into account a number of factors (the significant key factors are the fair value of underlying investment properties, the outstanding cost to complete the construction and leasing progress). Any significant change in inputs may result in a significant change in the fair value of ROFO especially considering the current COVID-19 environment. As at 31 December 2021 e.g. a 5% change in the outstanding cost to complete or the fair value of underlying investment property would have increased or decreased the ROFO fair value by €0.5 million and €0.5 million (2020: €0.9 million and €0.9 million) respectively.

The maturity dates presented in the table above are stated in the agreements, however, the planned repayment dates of debentures would take place upon completion and disposal of each ROFO project. The fair value of debentures is calculated based on the percentage of completion of each ROFO project and developer margin of the project which is calculated as a difference between each ROFO Project value upon completion and the project's construction budget. During the current year, Echo Investment S.A., the majority stakeholder sold the project My Place I and the fair value of this project is presented based on the initial price settlement provided to the Group. As at 31 December 2021, a loss of €0.4 million (2020: loss of €0.05 million) from the fair valuation of the above financial instruments was recognised in the statement of comprehensive income, categorised Level 3 within the fair value hierarchy.

The Group is committed to investing in each of the ROFO Assets 25% of the funds required by each of the ROFO SPVs (less the external construction bank financing at a loan to construction ratio of 60%) to complete the development of each respective ROFO Asset. As of 31 December 2021, the cumulative investment made by the Group under the ROFO Agreement amounts to €16.7 million (2020: €16.6 million) out of which €0.1 million was invested during the current year. Due to COVID-19 the expected maturity date of the My Place I and My Place II development project were delayed to March 2022 and June 2022 respectively.

17 Equity Investments

Name of investees	2021 €'000	2020 €'000
Mindspace Ltd	9,723	8,837
Early Game Venture Fund I Coöperatief U.A.	1,214	614
Gapminder Fund Coöperatief U.A.	1,172	918
Equity investments (unquoted)	12,109	10,369

Judgements

The Group considers investment in the above entities as strategic and their classification as a financial asset at fair value through other comprehensive income is more relevant instead of a financial asset at fair value through the income statement. The classification criteria were assessed separately for each investment at the initial date.

Estimates Used in the Valuation Technique and Key Inputs

In determining fair value, the Group relied on the financial data of investees' portfolios and estimates by the management of the investee portfolio companies as to the effect of future developments. Although the Group uses its best judgement, there are inherent limitations in any estimation techniques. Any change in the discount rate and/or EBITDA multiple used in valuation may have a significant impact on the estimated value at 31 December 2021. The fair value estimates attempt to present the amount the Group could realise in a current transaction; the final realisation may be different as future events will also affect the current estimates of fair value.

Investment in Mindspace Ltd

In 2018, the Group entered into an agreement with Mindspace Ltd, receiving a 4.99% stake in Mindspace Ltd in return for investing €8.6 million in the company's Preferred A-2 class shares. During the year, the Group participated in an equity raise and further invested €0.9 million in 2021. Following the last capital raise the Group's ownership was diluted to 3.69% from 4.99%, however, there was no impairment of the carrying value of the investment. Mindspace Ltd commenced its operations in 2013 with subsidiaries in Cyprus, Poland, Germany, the UK, the USA, the Netherlands and Romania. The company leases office spaces for long term periods, renovates them and turns them into modern shared offices/ coworking spaces while providing its customers' offices spaces and additional services. The company is also a tenant of the Group, in Poland and Romania.

The fair value of the Group's participation in Mindspace Ltd was calculated, internally by the management, based on the net present value of estimated future cash flows, using a discounted cash flows model. The valuation methodology requires to make certain assumptions about the key inputs used, including forecasted discounted cash flows (which were based on the investee's forecast earnings as per business plan for the next 4 years from 2022 to 2026 (2020: 5 years), the discount rate of 4.7% (2020: discount rate of 5.0%) and EBITDA multiple of 21 (2020: multiple of 20) which was based on the 31 December 2020 EBITDA multiple of a comparable quoted global company operating in a similar industry). Based on the above analysis as at 31 December 2021, the fair value amount was not materially lower than the initial investment cost of the Group therefore no fair value decrease was recorded in the other comprehensive income. Furthermore, as at 31 December 2021, a 10% change in EBITDA multiple or 50 bps change in the discount rate would have an insignificant impact on the carrying value.

Investment in Venture Funds

Globalworth Tech Limited, a fully owned subsidiary of the Group, invested €0.6 million in Early Game Venture Fund I Coöperatief U.A. ("Early Game") in the prior year. The subsidiary participated in further equity calls in 2021 and invested another €0.6 million (2020: €0.3 million). Early Game is a venture fund that invests in tech start-ups in Romania through the Competitiveness Operational Program and is co-funded by the European Regional Development Fund. The Group is committed to investing in total €2.0 million in this fund.

In the prior year, Globalworth Tech Limited invested €0.9 million in Gapminder Fund Coöperatief U.A. ("Gapminder") and participated in further equity calls of €0.3 million during 2021 (2020: €0.2 million). Gapminder is a venture fund that invests in tech start-ups in Romania through the Entrepreneurship Accelerator and Seed Fund Financial Instrument in Romania and is co-funded by the European Investment Fund. The Group is committed to investing in total €2.4 million out of the fund's total planned investment value of €50 million.

At 31 December 2021, the Group assessed the fair value of its investments based on the latest available management accounts of both funds and the underlying enterprise value of each tech start up and seed investments by Early Game and Gapminder. The enterprise value of underlying investments is based on last capital raises initiated by such seed investment and pre-seed investment which is participated by third parties. Based on this analysis no fair value gain was recognised in other comprehensive income as the change in the value of both investments was insignificant to the cost of the initial investment.

18 Trade and Other Receivables

	2021 €'000	2020 €'000
Current		
Rent and service charges receivable	11,049	10,785
VAT and other taxes receivable	4,236	5,028
Advances to suppliers for services	219	90
Sundry debtors	704	122
	16,208	16,025

Rent and Service Charges Receivable

Rent and service charges receivable are shown, in the above table, net of an allowance for bad or doubtful debts of €5.8 million (2020: €4.9 million). Rent and service charges receivable are non-interest-bearing and are typically due within 30-90 days (see more information on credit risk and currency profile in note 20.2). For the terms and conditions for related party receivables, see note 30.

SECTION IV: FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

19 Cash and Cash Equivalents

	2021 €'000	2020 €'000
Cash at bank and in hand	180,686	300,704
Short-term deposits	238,062	226,097
Sub-total	418,748	526,801
Restricted cash reserve	–	1,000
Cash and cash equivalents as per statement of financial position	418,748	527,801

Cash at bank and in hand includes restricted cash balances of €7.5 million (2020: €6.4 million) and short-term deposits include restricted deposits of €0.2 million (2020: €3.2 million). The restricted cash balance can be used to repay the outstanding debts and repayment of deposits to tenants. The restricted cash balance of €0.08 million (2020: €0.2 million) held by the Globalworth Foundations (Fundatia Globalworth and Fundacja Globalworth) can only be used for charity purposes.

Details of cash and cash equivalents denominated in foreign currencies are disclosed in note 20.

Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest at rates on Euro deposits ranging from minus 0.60% to positive 0.01% (2020: minus 0.60% to minus 0.35%) per annum, for PLN deposits from minus 0.24% to nil (2020: nil to 1.48%) per annum and for RON deposits from 0.40% to 1.75% (2020: 0.62% to 2.55%) per annum. For RON deposits the highest interest rate was earned on overnight deposits.

20 Financial Risk Management – Objective and Policies

The Group is exposed to the following risks from its use of financial instruments:

- Market risk (including currency risk and interest rate risk);
- Credit risk; and
- Liquidity risk.

20.1 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Group's market risks arise from open positions in: (a) foreign currencies; and (b) interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

20.1 a) Foreign Currency Risk

The Group has entities registered in several EU countries, with the majority of operating transactions arising from its activities in Romania and Poland.

Therefore, the Group is exposed to foreign exchange risk, primarily with respect to the Romanian Lei (“RON”) and Polish Zloty (“PLN”). Foreign exchange risk arises in respect of those recognised monetary financial assets and liabilities that are not in the functional currency of the Group.

The Group's exposure to foreign currency risk was as follows (based on nominal amounts):

Amounts in €'000 equivalent value	2021				2020			
	Denominated in				Denominated in			
	RON	PLN	GBP	USD	RON	PLN	GBP	USD
ASSETS								
Cash and cash equivalents	12,607	15,047	37	30	27,672	16,136	71	18
Trade and other receivables	9,391	6,269	–	–	7,573	8,219	–	–
Contract assets	4,352	1,601	–	–	1,506	1,311	–	–
Income tax receivable	33	74	–	–	192	725	–	–
Total	26,383	22,991	37	30	36,943	26,391	71	18
LIABILITIES								
Trade and other payables	15,490	10,063	–	–	10,418	9,909	–	–
Lease liability	–	29,206	–	–	–	29,089	–	–
Income tax payable	361	191	–	–	632	170	–	–
Guarantees from subcontractors	1,807	1,808	–	–	–	2,165	–	–
Deposits from tenants	3,503	6,713	–	5	3,271	5,954	–	–
Total	21,161	47,981	–	5	14,321	47,287	–	–
Net exposure	5,222	(24,990)	37	25	22,622	(20,896)	71	18

Foreign Currency Sensitivity Analysis

As of the statement of financial position date, the Group is mainly exposed to foreign exchange risk in respect of the exchange rate fluctuations of the RON and PLN. The following table details the Group's sensitivity (impact on income statement before tax and equity) to a 5% devaluation in RON, PLN and GBP exchange rates against the Euro, on the basis that all other variables remain constant.

The 5% sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% appreciation in the Euro against other currencies.

All amounts in €'000	2021		2020	
	Profit or (loss)	Equity	Profit or (loss)	Equity
RON	(261)	(261)	(1,131)	(1,131)
PLN	1,192	1,192	1,045	1,045
USD	(1)	(1)	(1)	(1)
GBP	(2)	(2)	(4)	(4)

A 5% devaluation of the Euro against the above currencies would have had an equal but opposite impact on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

20.1 b) Interest Rate Risk

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flows risk is the risk that the interest cost will fluctuate over time.

The Group's interest rate risk principally arises from interest-bearing loans and borrowings. As at 31 December 2021, the total outstanding balance of interest-bearing loans and borrowing 91.5% (2020: 91.3%) carry fixed-rate interest, as a consequence, the Group is exposed to fair value interest rate risk, which has been disclosed under IFRS. As of 31 December 2021, the fair value of such fixed-rate debt was higher by €78 million (2020: higher by €93 million) than the carrying value as disclosed below in the fair value hierarchy table.

Furthermore, as at 31 December 2021, the total outstanding interest-bearing loans and borrowing balance of 8.5% (2020: 8.7%) carry a variable interest rate, which ranges from EURIBOR 1-month to EURIBOR 3-month rates, see note 14 for details on each individual loan. These loans expose the Group to cash flow interest rate risk and in order to minimise this risk, the Group hedged 9.7% (2020: 10.3%) of such variable interest rate exposure with fixed-variable interest rate swap instrument and a further 30.6% (2020: 30.0%) was hedged with interest rate cap instruments.

Based on the Group's debt balances at 31 December 2021, an increase or decrease of 25 basis points in the EURIBOR will result in an increase or decrease (net of tax) in the result for the year of €1.9 million (2020: €2.3 million), with a corresponding impact on equity for the same amount. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

SECTION IV: FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

20 Financial Risk Management – Objective and Policies continued

20.2 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's policy is to trade with recognised and creditworthy third parties. The Group's exposure is continuously monitored and spread amongst approved counterparties. The Group's maximum exposure to credit risk, by class of financial asset, is equal to their carrying values at the statement of financial position date.

	Note	2021 €'000	2020 €'000
Financial assets measured at fair value through profit or loss	16	7,324	7,695
Loan receivable from joint venture	27	31,991	16,451
Equity investments	17	12,109	10,369
Trade receivables – net of provision	18	11,049	10,785
Contract assets		6,106	2,819
Other receivables		704	122
Guarantees retained by tenants		885	894
VAT and other taxes receivable	18	4,236	5,028
Income tax receivable		117	931
Cash and cash equivalents	19	418,748	527,801
		493,269	582,895

Financial Assets at Fair Value through Profit or Loss and Other Comprehensive Income

The Group places funds in financial instruments issued by reputable real estate companies with high credit worthiness.

Contract Assets and Trade Receivables

A trade receivable is recognised if an amount of consideration that is unconditional is due from the customer (only the passage of time is required before payment of the consideration is due).

There is no significant concentration of credit risk with respect to contract assets and trade receivables, as the Group has a large number of tenants, most of which are part of multinational groups, internationally dispersed, as disclosed in the Leasing review of the Annual Report. For related parties, including the joint ventures, it is assessed that there is no significant risk of non-recovery.

Estimates and Assumptions Used for Impairment of Trade Receivables and Contract Assets

The Group's trade receivables do not contain any financing component and mainly represent lease receivables. Therefore, the Group applied the simplified approach under IFRS 9 and measured the loss allowance based on a provision matrix that is based on the historical collection and default experience adjusted for forward-looking factors in order to estimate the provision on initial recognition and throughout the life of the receivables at an amount equal to lifetime ECL (Expected Credit Losses). The assessment is performed on a six-month basis and any change in original allowance will be recorded as gain or loss in the income statement.

The COVID-19 pandemic and work from home policies have created a challenging environment for many industries and businesses and, in particular, for some of our retail tenants. We are in close contact with our tenants, and we are communicating on a regular basis in order to understand and respond to their challenges, including the amendment of lease terms and also the rescheduling of outstanding receivables on a few occasions. We continue to monitor the cash collections of rents daily throughout the entire portfolio. We expect to see low risk delays in rent collection or a low risk of non-payment of rent in the future, considering the current conditions and the availability of vaccines or other solutions against the COVID-19 pandemic. Refer to pages 4 and 5 of the Annual Report, subsection COVID-19 response, for further details.

The movements in the provision for impairment of receivables during the respective periods were as follows:

	2021 €'000	2020 €'000
Opening balance	4,976	4,030
Provision for specific doubtful debts	1,362	1,370
Impairment based on the simplified approach under IFRS 9	70	–
Reversal of provision for doubtful debts	(298)	(218)
Utilised	–	(62)
Foreign currency translation income	(146)	(144)
Provisions income	(188)	–
Closing balance	5,776	4,976

The analysis by the credit quality of financial assets, cumulated for rent, service charge and property management, is as follows:

	Neither past due nor impaired	Due but not impaired				
		<90 days	<120 days	<365 days	>365 days	TOTAL
2021 (€'000)						
Trade and other receivables – gross	6,827	2,841	214	2,469	4,474	16,825
Less: Specific provision	–	103	62	707	4,474	5,346
Less: Expected credit loss	4	198	7	221	–	430
Carrying amount	6,823	2,540	145	1,541	–	11,049
Expected credit loss rate	0.1%	7.8%	4.8%	14.3%	–	

	Neither past due nor impaired	Due but not impaired				
		<90 days	<120 days	<365 days	>365 days	TOTAL
2020 (€'000)						
Trade and other receivables – gross	5,905	3,481	478	2,139	3,758	15,761
Less: Specific provision	–	51	46	761	3,758	4,616
Less: Expected credit loss	6	266	20	68	–	360
Carrying amount	5,899	3,164	412	1,310	–	10,785
Expected credit loss rate	0.1%	8.4%	4.8%	5.2%	–	

The customer balances which were overdue but not provisioned are due to the fact that the related customers committed and started to pay the outstanding balances subsequent to the year-end. Further deposits payable to tenants may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contractual terms.

VAT and Other Taxes Receivable

This balance relates to corporate income tax paid in advance, VAT and other taxes receivable from the tax authorities in Romania and Poland. The balances are not considered to be subject to significant credit risk as all the amounts receivable from Government authorities are secured under sovereign warranty.

Cash and Cash Equivalents

The credit risk on cash and cash equivalents is very small, since the cash and cash equivalents are held at reputable banks in different countries. During year 2021 the cash and cash equivalents balances were kept with several international banks having credit rating profiles (assigned by S&P, Moody's or Fitch) in the upper-medium investment grade range (i.e. A+ to A- for long-term and P-1 to P-2 and F1+ to F2 for short-term) for 65% (2020: 70%) of the cash and cash equivalents balance of the Group, in lower medium investment grade range (BBBs) for 35% (2020: 29%) of the cash and cash equivalents balance of the Group and insignificant amounts (2020: 1%) in non-investment grade. Surplus funds from operating activities are deposited only for short-term periods, which are highly liquid with reputable institutions.

Loan Receivable from Joint Ventures

The outstanding loan balance is neither past due nor impaired. Loan receivable from joint ventures is considered to be low credit risk where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations.

SECTION IV: FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

20 Financial Risk Management – Objective and Policies continued

Financial Instruments for Which Fair Values are Disclosed

Set out below is a comparison by class of the carrying amounts and fair values of the Group’s financial instruments, other than those with carrying amounts that are reasonable approximations of their fair values.

	Year	Carrying amount €'000	Fair value hierarchy			Total €'000
			Level 1 €'000	Level 2 €'000	Level 3 €'000	
Interest-bearing loans and borrowings (note 14)	2021	1,633,920	1,330,142	–	381,567	1,711,709
	2020	1,630,094	1,342,184	–	384,887	1,727,071
Other current financial liabilities	2021	261	–	261	–	261
	2020	875	–	875	–	875
Financial asset at fair value through profit or loss	2021	7,324	–	–	7,324	7,324
	2020	7,695	–	–	7,695	7,695
Lease liabilities (note 3)	2021	20,065	–	–	20,065	20,065
	2020	29,089	–	–	29,089	29,089

The fair value of financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. When determining the fair values of interest-bearing loans and borrowings and lease liabilities the Group used the DCF method with inputs such as discount rate that reflects the issuer’s borrowing rate as at the statement financial position date. Specifically, for the Eurobonds, their fair value is calculated on the basis of their quoted market price. The own non-performance risk at the statement of financial position date was assessed to be insignificant.

20.3 Liquidity Risk

The Group’s policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due. Ultimate responsibility for liquidity risk management rests with management. The Group manages liquidity risk by maintaining adequate cash reserves and planning and close monitoring of cash flows. The Group expects to meet its financial liabilities through the various available liquidity sources, including a secure rental income profile, further equity raises and in the medium term, debt refinancing. The table below summarises the maturity profile of the Group’s financial liabilities based on contractual undiscounted payments.

The below table presents the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay and includes both interest and principal cash flows. As the amount of contractual undiscounted cash flows related to bank borrowings is based on a variable rather than fixed interest rates, the amount disclosed is determined by reference to the conditions existing at the year-end, that is, the actual spot interest rates effective at the end of the year are used for determining the related undiscounted cash flows.

All amounts in €'000	Contractual payment term					Difference from carrying amount	Carrying amount
	<3 months	3 months-1 year	1-5 years	>5 years	Total		
2021							
Interest-bearing loans and borrowings	18,821	351,149	1,220,530	211,470	1,801,970	(168,050)	1,633,920
Lease liability	-	1,855	8,737	114,604	125,196	(105,131)	20,065
Trade payables and guarantee retained from contracts (excluding advances from customers)	18,693	17,601	3,696	-	39,990	1,292	41,282
Other payables	17	-	-	-	17	-	17
Provision for tenant lease incentives	-	-	-	-	-	-	-
Deposits from tenants	15,917	168	3,212	1,182	20,479	(567)	19,912
Income tax payable	550	-	-	-	550	-	550
Total	53,998	370,773	1,236,175	327,256	1,988,202	(272,456)	1,715,746

All amounts in €'000 2020	Contractual payment term					Difference from carrying amount	Carrying amount
	<3 months	3 months-1 year	1-5 years	>5 years	Total		
Interest-bearing loans and borrowings	18,823	28,029	1,172,979	628,991	1,848,822	(218,728)	1,630,094
Lease liability	–	1,766	8,708	117,705	128,179	(99,090)	29,089
Trade payables and guarantee retained from contracts (excluding advances from customers)	27,305	10,515	2,827	22	40,669	(186)	40,483
Other payables	–	255	–	–	255	–	255
Provision for tenant lease incentives	46	–	–	–	46	–	46
Deposits from tenants	15,990	107	3,579	417	20,093	(399)	19,694
Income tax payable	802	–	–	–	802	–	802
Total	62,966	40,672	1,188,093	747,135	2,038,866	(318,403)	1,720,463

Other Current Financial Liabilities

Other current financial liabilities represent the mark-to-market value of an interest rate swap, obtained from the counterparty financial institution, at €0.3 million (2020: €0.9 million) at the end of 2021. The fair value of the derivative was developed in accordance with the requirements of IFRS 13. Under the terms of the swap agreement, the Group is entitled to receive a floating rate of 1-month EURIBOR at a notional amount of €14.2 million (2020: €15.5 million) and is required to pay a fixed rate of interest of 3.62% p.a. on the said notional amount in monthly instalments, with a maturity date of June 2022. The movement in fair value recognised in the income statement for the year was a financial income of €0.6 million (2020: €0.6 million).

The Group assessed that the fair values of other financial assets and financial liabilities, such as trade and other receivables, guarantees retained by tenants, cash and cash equivalents, income tax receivable and payables, trade and other payables, guarantees retained from contractors and deposits from tenants, approximate their carrying amounts largely due to short-term maturities and low transaction costs of these instruments as of the statement of financial position date.

Reconciliation of Liabilities Arising from Financing Activities in Cash Flows

Description	2020 €'000	Net Cash flows €'000	Non-cash changes movement				2021 €'000
			Amortisation in mark-to-market value €'000	Foreign exchange €'000	Debt cost amortisation €'000	Interest expense €'000	
Interest-bearing loans and borrowings (note 14)	1,630,094	(49,244)	–	–	8,394	44,676	1,633,920
Other current financial liabilities	875	–	(614)	–	–	–	261

Description	2019 €'000	Net Cash flows €'000	Non-cash changes movement				2020 €'000
			Amortisation in mark-to-market value €'000	Foreign exchange €'000	Debt cost amortisation €'000	Interest expense €'000	
Interest-bearing loans and borrowings (note 14)	1,323,920	255,829	–	–	7,946	42,399	1,630,094
Other current financial liabilities	1,498	–	(623)	–	–	–	875

SECTION V: SHARE CAPITAL AND RESERVES

The disclosures in this section focus on dividend distributions, the share schemes in operation and the associated share-based payment charge to profit or loss. Other mandatory disclosures, such as details of capital management, are also disclosed in this section.

21 Issued Share Capital Policy

Ordinary shares are classified as equity. The costs of issuing or acquiring equity are recognised in equity (net of any related income tax benefit), as a reduction of equity on the condition that these are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties.

	Note	2021		2020	
		€'000	Number ('000)	€'000	Number ('000)
Opening balance		1,704,374	222,407	1,704,374	222,407
Shares issued for cash under Executive share option plan	24.1	102	20	–	–
Balance at 31 December		1,704,476	222,427	1,704,374	222,407

Ordinary shares carry no right to fixed income, but are entitled to dividends as declared from time to time. Each ordinary share is entitled to one vote at meetings of the Company. There is no limit on the authorised share capital of the Company. The Company can issue no par value and par value shares as the Directors see fit.

Under Guernsey company law there is no distinction between distributable and non-distributable reserves, requiring instead that a company passes a solvency test in order to be able to make distributions to shareholders. Similarly, the share premium for the issuance of shares above their par value per share was recognised directly under share capital and no separate share premium reserve account was recognised.

22 Dividends Policy

The Company recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of the Company. As per the articles of incorporation of the Company and Guernsey Company Law, a distribution is authorised when it is approved by the Board of Directors of the Company. A corresponding amount is recognised directly in equity. There are no income tax consequences attached to the payment of dividends in either 2021 or 2020 by the Group to its shareholders.

	2021 €'000	2020 €'000
Declared and paid during the year		
Interim cash dividend: €0.30 per share (2020: €0.49 per share)	66,286	108,324

On 19 February 2020, the Board of Directors of the Company approved the payment of an interim dividend in respect of the six-month financial period ended 31 December 2020 of €0.15 per ordinary share, which was paid on 19 March 2021 to the eligible shareholders.

On 31 August 2021, the Company announced that its Board of Directors has approved the payment of an interim dividend in respect of the six-month financial period ended 30 June 2021 of €0.15 per ordinary share, which was paid on 1 October 2021 to the eligible shareholders.

23 Financial Position Key Performance Measures

The net asset value (“NAV”), EPRA Net Reinstatement Value (“EPRA NRV”) and the numbers of shares used for the calculation of each key performance measure on the financial position of the Group and the reconciliation between IFRS and EPRA measures are shown below.

	Note	2021 €'000	2020 €'000
Net assets attributable to equity holders of the Company		1,738,629	1,755,364

		Number ('000)	Number ('000)
Number of ordinary shares used for the calculation of:			
NAV per share	12	221,373	220,297
Diluted NAV and EPRA NRV per share	12	221,373	221,486

	€	€
NAV per share	7.85	7.97
Diluted NAV per share	7.85	7.93

	Note	2021 €'000	2020 €'000
EPRA Net Asset Value ('EPRA NAV') Per Share			
Net assets attributable to equity holders of the Company		1,738,629	1,755,364
Exclude:			
Deferred tax liability on investment property	11	181,542	171,197
Fair value of interest rate swap instrument	20	236	872
Goodwill as a result of deferred tax	26	(5,697)	(5,697)
Adjustment in respect of the joint venture for the above items		2,753	1,742
EPRA NRV attributable to equity holders of the Company		1,917,463	1,923,478

	€	€
EPRA NRV per share	8.66	8.68

24 Share-Based Payment Reserve Policy

Equity-settled transactions where vesting is conditional upon a market or non-vesting condition, are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all service conditions are satisfied. The cost of equity-settled transactions is recognised in the income statement, together with a corresponding increase in other reserves in equity (share-based payment reserve), over the period in which the service conditions are fulfilled.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired. Where the share scheme has market-related performance criteria, the Group has used a binomial option pricing model to establish the relevant fair values at the grant date, considering the terms and conditions. The following table analyses the components of the share-based payment reserve and the total cost outstanding at year-end.

	Note	2021 €'000	Treasury shares Number ('000)	2020 €'000	Treasury shares Number ('000)
Share-based payments reserve					
Executive share option plan	24.1	156	–	158	–
Shares granted to Executive Directors and other senior management employees – not transferred	24.2	–	–	353	(43)
Subsidiaries' Employees Share Award Plan	24.3	–	–	531	–
Deferred annual bonus plan	24.4.1	–	–	4,999	–
Long-term incentive plan	24.4.2	–	–	143	–
		156	–	6,184	(43)

SECTION V: SHARE CAPITAL AND RESERVES (CONTINUED)

24 Share-Based Payment Reserve continued

Policy continued

Share-based payments expense	Note	2021 €'000	2020 €'000
Subsidiaries' Employees Share Award Plan	24.3	532	1,071
Total expense during the year		532	1,071

24.1 Executive Share Option Plan

Under the plan, the Directors of the Group were awarded share option warrants as remuneration for services performed. The share options granted to the Directors of the Group are equity-settled.

In 2013, the Group granted warrants to the Founder (at 31 December 2021 the unvested warrants were held by Zakiono Enterprises Limited, an immediate parent of the Company) and the Directors which entitle each holder to subscribe for ordinary shares in the Company at an exercise price of €5.00 per share if the market price of an ordinary share, on a weighted average basis over 60 consecutive days, exceeds a specific target price and the holder is employed on such date. The contractual term of each warrant granted is 10 years. There are no cash settlement alternatives, and the Group does not have the intention to offer a cash settlement for these warrants.

Under the share option warrants scheme, Zakiono Enterprises Limited had the right to subscribe in two tranches of 2.83 million ordinary shares in total (1.415 million for each tranche) at an exercise price of €5.00 per share if the market price of an ordinary share, on a weighted average basis over 60 consecutive days, exceeds €10.00 per share and €12.50 per share for each tranche respectively. As defined per IAS 33 "Earnings per share" ordinary shares to be issued for each unvested share option warrants were not included in a basic or diluted number of shares as disclosed in note 12. The fair value of the warrants was estimated at the grant date (i.e. July 2013) at €0.073 per share.

On 9 July 2021, two Non-Executive Directors exercised 20,000 vested warrants at €5.00 per share under the contractual terms for an amount of €0.1 million and a corresponding €2,000 share-based payment reserve was also transferred to share capital. These warrants were vested during 2017 at the weighted average market share price of €7.71. There have been no cancellations or modifications to any of the plans during the year ended 31 December 2021.

The following table analyses the total cost of the executive share option plan (warrants), together with the number of options outstanding:

	2021		2020	
	Cost €'000	Number ('000)	Cost €'000	Number ('000)
Opening balance	158	2,850	158	2,850
Warrants vested and exercised during the year	(2)	(20)	–	–
Closing balance	156	2,830	158	2,850
Weighted average remaining contractual life (years)		1.58		2.58
Warrants vested and exercisable as at 31 December		–		20

24.2 Shares Granted to Executive Directors and Other Senior Management Employees

	2021 €'000	2020 €'000
At the beginning of the year	353	838
Shares issued to the Executive Directors and other senior management employees	(339)	(392)
Dividend transferred on vest shares	(20)	(26)
Dividend assigned on unvested shares	6	34
Unallocated dividend transferred to treasury shares	–	(101)
Closing balance	–	353

Shares Issued to the Executive Directors and Other Senior Management Employees

In January 2021, Globalworth Investment Advisers Limited ("GIAL") delivered 0.026 million ordinary shares (ordinary shares of no par value), out of treasury shares held by it, to one of its preference shareholders as settlement for the share-based payment reserve, in order to settle the second tranche of 26 thousand ordinary shares, comprising part of the ordinary shares that were allotted to GIAL in part settlement of the fee due to GIAL by the Company for the year ended 31 December 2018.

24 Share-Based Payment Reserve continued

24.2 Shares Granted to Executive Directors and Other Senior Management Employees continued

On 12 May 2021 CPI Property Group S.A. and Aroundtown SA formed a consortium, and, via Zakiono Enterprises Limited ("Zakiono"), made a cash offer for the entire issued and to be issued share capital in the Company at €7.00/share which was initiated by way of a formal offer. The offer was successfully completed, with the consortium now holding 60.6% of the share capital, via Zakiono, thus resulting in the change of control by becoming the largest and controlling shareholder of Globalworth.

Following the above event, all unvested ordinary shares, held by Globalworth Investment Advisers Limited's ("GIAL") and forming part of the settlement of the fees paid to GIAL by the Company for the years ended 31 December 2018, 2019 and 2020 vested as a result of the change of control and under the provisions of the share-based plan. GIAL decided to participate in the cash offer, with the vested shared held by it, and used the proceeds from its participation in the cash offer to reward its preference shareholders and other executives in full settlement of the share-based payment reserve. The shares rank pari passu with the existing shares of the Company.

There were no further unvested shares outstanding under this scheme as of 31 December 2021.

24.3 Subsidiaries' Employees Share Award Plan

	2021 €'000	2020 €'000
Opening balance	531	–
Share-based payment expense during the year	532	1,071
Share-based reserved settled in cash for taxes	190	–
Shares vested and exercised during the year	(1,253)	(540)
Closing balance	–	531
Weighted average remaining unvested period (years)	–	0.25
Weighted average price per share – vested and exercised shares	–	7.00
Weighted average price per share – unvested shares	–	7.00

As disclosed in note 24.2 following the successful completion of the public tender offer, which activated the change of control clause under the share-based payment plan, the Company delivered 0.097 million ordinary shares to employees (vested shares) in order to settle the share-based reserve under this scheme. The Company recorded €0.53 million (2020: €1.1 million) share-based payment expense in the income statement for the lapsed vesting period during 2021. Under the share award plan, the subsidiaries' employees are required to remain in service for a one-year period after the date of acceptance of the share offer letter. There were no further unvested shares outstanding under this scheme as of 31 December 2021.

24.4 Current Group Remuneration Policy

Policy

The current Group remuneration policy is designed to achieve an appropriate balance between fixed and variable remuneration, and between variable remuneration based on short-term and longer-term performance. Fixed remuneration includes base salary and benefits. Variable remuneration includes an annual bonus, a significant portion of which are ordinarily paid in deferred shares pursuant to a new deferred annual bonus plan ("DABP"), and performance share plan awards made under a new long-term incentive plan ("LTIP").

The current Group remuneration policy is intended to align with the strategy and business of the Group and reflects the importance of generating a growing and sustainable cash flow and achieving value creation through the active management of real estate assets, including those under development. The principal objectives of the current Group remuneration policy are to attract, retain and motivate the management of the quality required to run the Company successfully.

SECTION V: SHARE CAPITAL AND RESERVES (CONTINUED)

24 Share-Based Payment Reserve continued

24.4 Current Group Remuneration Policy continued

24.4.1 Deferred Annual Bonus Plan (“DABP”)

Key Terms and Conditions

The Remuneration Committee sets performance targets for the annual bonus at the start of each financial year to ensure performance measures and weightings are appropriate and support the business strategy. The performance targets are primarily based upon Key Performance Indicators, although there may also be elements subject to other measures and factors.

		31 December 2021 €'000	31 December 2020 €'000
Deferred annual bonus plan – equity settlement	Note		
At the beginning of the year		4,999	1,888
Share vested and transferred during the year	24.4.1.1	(4,920)	–
Share-based incentive bonus for the year		2,061	2,065
Unpaid dividend equivalent on unvested shares		–	21
Share-based portion of annual incentive plan settled in cash	24.4.1.1	(2,140)	–
Cash-based portion of annual incentive plan converted to equity-settled plan		–	1,025
Closing balance		–	4,999

24.4.1.1 Share-based incentive bonus for the year

As disclosed in note 24.2 following the successful completion of the public tender offer, which resulted in the change of control clause being applicable under the share-based payment plan, the Independent Committee of the Board reassessed the current year's achievements until the change of control date and based on this assessment, an amount of €2.06 million was awarded to DABP participants as an interim bonus for 2021. Out of the total interim bonus amount, €1.44 million was capitalised as the cost of entering into new leases or of signing lease addenda during the year and would be amortised over the lease term in the income statement.

In addition, all unvested ordinary shares, related to prior years' deferred annual bonus plan as at the change of control date, held by the Company and GIAL were delivered to the Executives and selected senior employees. There were no further unvested shares outstanding under this scheme as of 31 December 2021.

24.4.2 Long-term Incentive Plan

Key Terms and Conditions

The LTIP provides the long-term incentive arrangement for the Investment Manager and selected senior employees (the “LTIP Participants”). Under the LTIP, it is intended that performance share awards will be granted on an annual basis either in the form of Company shares without cost to the LTIP participant or nil (or nominal) cost options to subscribe to Company shares. Annual awards will be determined by reference to that number of shares which equals in value to a maximum of 100% of salary for employees who are not a director of the Company and 150% of salary for the Executive Director of the Company. Awards vest three years from the date of grant of the award (or upon the assessment of performance conditions if later) subject to the LTIP participant's continued service and the extent to which the performance conditions specified for the awards are satisfied.

Performance conditions applying to the first awards will be based 50% on relative Total Shareholder Return (“TSR”) and 50% on growth in Total Accounting Return per share (“TAR”) (defined as the growth in the Company's EPRA Net Assets Value per share and dividend distributions per share paid over the three-year LTIP performance period). The achievement of a threshold level of performance will result in a vesting of 25% of the maximum award. Full vesting will occur for equalling or exceeding the maximum performance target. A target level of performance may also be set between the threshold and maximum performance targets. The level of vesting for the achievement of target performance would take account of the difficulty of achieving target performance. Straight-line vesting will take place for performance between threshold, target, and maximum. Dividend equivalents will be paid in relation to shares that vest until the normal vesting date or, if there is one, until the end of the holding period.

On 12 May 2021 CPI Property Group S.A. and Aroundtown SA formed a consortium, and, via Zakiono Enterprises Limited (“Zakiono”), made a cash offer for the entire issued and to be issued share capital in the Company at €7.00/share which was initiated by way of a formal offer. The offer was successfully completed, with the consortium now holding 60.6% of the share capital, via Zakiono, thus resulting in the change of control by becoming the largest and controlling shareholder of Globalworth.

Following the change of control event, the Independent Committee assessed the current year's performance conditions until the change of control date and approved the payment of an LTIP bonus in the form of shares for the three year period 2019-2021. Out of the total LTIP awarded shares nominal amount (including applicable taxes), €1.03 million was capitalised as the cost of entering into new leases or of signing lease addenda during the year and would be amortised over the lease term in the income statement. Following the successful closing of the cash offer, the awarded ordinary shares were either delivered to Executives and selected senior employees under this plan, or for the preference shareholders and other Executives of GIAL, a cash equivalent at the price of €7.00/share was offered as GIAL decided to participate in the cash offer with the amount of LTIP shares awarded to it. There were no further unvested shares outstanding under this scheme as of 31 December 2021.

24 Share-Based Payment Reserve continued

24.5 Treasury Shares

		2021		2020	
	Note	Amount €'000	Number ('000)	Amount €'000	Number ('000)
Opening balance		(12,977)	(2,109)	(8,379)	(929)
Shares purchased with cash by the Company		–	–	(8,345)	(1,562)
Shares for Executive Directors and other senior management employees	24.2	339	43	392	43
Shares for subsidiaries' employee share award plan	24.3	1,253	172	540	62
Shares vested under the Long-term Incentive Plan	24.4.2	1,476	130	–	–
Shares vested and transferred under Deferred annual bonus plan	24.4.1	4,920	711	2,544	277
Dividend on treasury shares held by a subsidiary		72	–	271	–
Closing balance		(4,917)	(1,053)	(12,977)	(2,109)

25 Capital Management

The Company has no legal capital regulatory requirement. The Group's policy is to maintain a strong equity capital base so as to maintain investor, creditor and market confidence and to sustain the continuous development of its business. The Board considers from time to time whether it may be appropriate to raise new capital by a further issue of shares. The Group monitors capital primarily using an LTV ratio and manages its gearing strategy to a long-term target LTV of less than 40%.

The LTV is calculated as the amount of outstanding debt (Group's debt balance plus 50% of joint ventures' debt balance), less cash and cash equivalents (Group's cash balance plus 50% of joint ventures' cash balance), divided by the open market value of its investment property portfolio (Group's investment property- freehold portfolio plus 50% of joint ventures' investment property – freehold value) as certified by external valuers. The future share capital raise or debit issuance are influenced, in addition to other factors, by the prevailing LTV ratio.

	Note	2021 €'000	2020 €'000
Interest-bearing loans and borrowings (face value)	14	1,657,879	1,660,746
Less:			
Cash and cash equivalents	19	418,748	527,801
Group interest-bearing loans and borrowings (net of cash)		1,239,131	1,132,945
Add:			
50% Share of Joint Ventures' interest-bearing loans and borrowings		7,342	3,514
50% Share of Joint Ventures' cash and cash equivalents		(846)	(311)
Combined interest-bearing loans and borrowings (net of cash)		1,245,627	1,136,148
Group open market value as of financial position date		3,065,101	2,981,650
Add:			
50% Share of Joint Ventures' open market value as of financial position date	27	43,350	25,600
Open market value as of financial position date		3,108,451	3,007,250
Loan-to-value ratio (“LTV”)		40.1%	37.8%

Since the carrying value of the lease liability closely matches with the fair value of the investment property – leasehold at 31 December 2021 under the applicable accounting policy as per IFRS 16, both asset and liability, related to the right of perpetual usufruct of the lands, are excluded from the above calculation.

SECTION VI: INVESTMENT IN SUBSIDIARIES, JOINT VENTURES AND RELATED DISCLOSURE

This section includes details about Globalworth’s subsidiaries, new business and properties acquired, investment in joint ventures, goodwill and related impact on the statement of comprehensive income and cash flows.

26 Goodwill Policy

Goodwill only arises upon a business combination, and is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, after recognising the acquiree’s identifiable assets, liabilities and contingent liabilities.

Subsequently, goodwill is carried at cost and is subject to reviews for impairment at each year-end or whenever there is an indication of impairment. At the date of acquisition, goodwill is allocated to one or more cash-generating units that are expected to benefit from the combination. The recoverable amount of a cash-generating unit, for the purpose of impairment testing, is determined using the discounted cash flows method and is applied to the full cash-generating unit rather than each legal entity. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Where goodwill arises as a result of deferred tax liabilities, recognised under a business combination on the acquisition date, the impairment of this goodwill is calculated according to the amounts of tax optimisation existing at the date of reporting. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

	2021 €'000	2020 €'000
Balance at 31 December	12,349	12,349

Goodwill is allocated to the Group’s cash-generating units (“CGUs”) which represented individual properties acquired under business combinations. The opening balance represents goodwill from deferred tax liabilities, recognised at the acquisition date of a subsidiary (Globalworth Asset Managers SRL), and its property management activities.

Key Estimates and Assumptions used for Goodwill Impairment Testing

The Group’s impairment test for goodwill is based on value-in-use calculations that use a discounted cash flows model. The cash flows are derived from the budget for the next four years approved by management and significant future investments that will enhance the asset base of the cash-generating unit being tested. These calculations require the use of estimates which mainly include the assumptions on the financial performance of a CGU’s operations. The recoverable amount is most sensitive to the discount rate used for the discounted cash flows model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

At 31 December 2021, the goodwill related to property management activity with a carrying value of €6.7 million (2020:6.7 million) was tested for impairment. No impairment charge arose as a result of this assessment at year-end. Management believes that as of 31 December 2021 no reasonable change in the main assumptions could result in an impairment charge (31 December 2020: same).

- At 31 December 2021 and 2020 respectively, the value-in-use of the property management activity was determined based on the following main assumptions:
- forecasts for 4 years;
 - discount rate of 5.1% p.a. as of 31 December 2021 (2020: 5.3% p.a.); and
 - extrapolation to perpetuity from year 4 onwards, considering a growth rate of 2.5% p.a. (2020: 2.5% p.a.).

The goodwill with a carrying value of €5.7 million (2020: €5.7 million) related to deferred tax liabilities recognised on acquisition was not tested for impairment as there were no changes in the tax circumstances of the relevant entities or other events that would indicate an impairment thereof.

27 Investment in Joint ventures Policy

The Group’s investments in its joint ventures are accounted for using the equity method in the consolidated financial statements. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise the change in the Group’s share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

After the application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. The Group’s share of the results of operations of the joint venture is recorded in the income statement after adjusting the transaction between the Group and the Joint venture to the extent of the interest in the joint venture. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Judgements and Assumptions Used for Joint Ventures

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. Following such assessment, the Group’s investment was classified as a joint venture.

As at 31 December 2021, the Group determined that there is no objective evidence that the investments in the joint venture are impaired. The financial statements of each joint venture are prepared for the same reporting period as the Group. The joint ventures had no other contingent liabilities or commitments as at 31 December 2021 (2020: €nil), except construction commitments as disclosed in note 6.

	2021 €'000	2020 €'000
Investments in joint ventures		
Opening balance	11,907	10,010
Share of profit during the year	5,010	1,897
Equity investment in joint venture	16,917	11,907
Opening balance	16,451	7,847
Loan provided to the joint ventures	23,354	16,555
Loan repayments from the joint ventures	(8,111)	(8,485)
Interest repayment from the joint ventures	(536)	(199)
Interest income on the loans to joint ventures	833	733
Loans receivable from joint ventures	31,991	16,451
TOTAL	48,908	28,358

27.1 Investments in the Joint Ventures

In April 2019, the Group’s subsidiary, Globalworth Holdings Cyprus Limited, entered into a joint venture agreement with Bucharest Logistic Park SRL, through which it acquired a 50% shareholding interest (€0.09 million investment) in Global Logistics Chitila SRL (“Chitila Logistics Hub”), an unlisted company in Romania, owning land for further development, at the acquisition date, in Chitila, Romania. As at 31 December 2021 and 31 December 2020, the land was classified under the industrial segment for the Group.

In June 2019, the Group’s subsidiary, Globalworth Holdings Cyprus Limited, entered into a joint venture agreement with Mr. Sorin Preda through which it acquired a 50% shareholding interest (€6.36 million investment) in Black Sea Vision SRL (“Constanta Business Park”), an unlisted company in Romania, owning land for further development, at acquisition date, in Constanta, Romania. As at 31 December 2021 and 31 December 2020, the land was classified as an industrial segment for the Group.

SECTION VI: INVESTMENT IN SUBSIDIARIES, JOINT VENTURES AND RELATED DISCLOSURE (CONTINUED)

27 Investment in Joint ventures continued

Judgements and Assumptions used for Asset acquisition

At the time of acquisition, the Group considered whether the acquisition represented an acquisition of a business or an acquisition of an asset. In the absence of an integrated set of activities required for a business other than the property, the Group concluded the acquisition of the subsidiary does not represent a business therefore accounted for it as an acquisition of a group of assets and liabilities. The cost to acquire the entity is allocated between the identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date and no goodwill or deferred tax is recognised.

Summarised Statements of Financial Position of the Joint Ventures as at 31 December

The summarised statements of financial position of the joint ventures are disclosed below, which represents the assets and liabilities recognised in the financial statements of each joint venture without adjusting the balance payable to or receivable from the Group. Transactions and balances receivable or payable between the Group and the individual joint ventures are disclosed in note 30.

	2021 €'000 Constanta Business Park	2021 €'000 Chitila Logistics Hub	2021 €'000 Combined
Completed investment property	12,900	14,000	26,900
Investment property under development	42,600	17,200	59,800
Other non-current assets	438	1,577	2,015
Total non-current assets	55,938	32,777	88,715
Other current assets	431	2,029	2,460
Cash and cash equivalents	1,364	327	1,691
Total assets	57,733	35,133	92,866
Loans payable to the Group	8,835	23,156	31,991
Bank loans (at amortised cost)	7,827	6,857	14,684
Loan from Joint venture partner	150	2,796	2,946
Deferred tax liability	5,505	–	5,505
Other non-current liabilities	157	12	169
Total non-current liabilities	22,474	32,821	55,295
Loan from Joint venture partner	15	290	305
Other current liabilities	2,473	3,168	5,641
Total liabilities	24,962	36,279	61,241
Net assets	32,771	(1,146)	31,625

	2020 €'000 Constanta Business Park	2020 €'000 Chitila Logistics Hub	2020 €'000 Combined
Completed investment property	12,000	13,800	25,800
Land bank – for further development	21,400	4,000	25,400
Other non-current assets	29	96	125
Total non-current assets	33,429	17,896	51,325
Other current assets	403	345	748
Cash and cash equivalents	420	203	623
Total assets	34,252	18,444	52,696
Loans payable to the Group	11,060	5,391	16,451
Bank Loans (at amortised cost)	–	6,976	6,976
Loan from Joint venture partner	150	2,670	2,820
Other non-current liabilities	3,009	534	3,543
Total non-current liabilities	14,219	15,571	29,790
Loan from Joint venture partner	9	276	285
Other current liabilities	356	313	669
Total liabilities	14,584	16,160	30,744
Net assets	19,668	2,284	21,952

The Group has signed loan facilities, amounting to €54.09 million (€23 million at 31 December 2020), with Chitila Logistics Hub and Constanta Business Park Joint ventures to fund the development costs of the projects, out of which €23 million was available for future drawdown as of 31 December 2021 (€7.2 million at 31 December 2020). Further details on investment property are disclosed in note 4.1.

Summarised Statements of Financial Performance of the Joint Ventures during 2021

The table below includes individual and combined income statements of the joint venture extracted from the individual financial statements of each joint venture without adjusting for the transactions with the Group.

	2021 €'000 Constanta Business Park	2021 €'000 Chitila Logistics Hub	2021 €'000 Combined
Revenue	994	1,145	2,139
Operating expenses	(353)	(531)	(884)
Administrative expenses	(39)	(48)	(87)
Fair value gain on investment property	15,496	(4,006)	11,490
Foreign exchange loss	(10)	(29)	(39)
Profit before net financing cost	16,088	(3,469)	12,619
Finance expense	(433)	(500)	(933)
Finance income	4	5	9
Income tax expense	(2,556)	534	(2,022)
Total comprehensive income for the year	13,103	(3,430)	9,673

SECTION VI: INVESTMENT
IN SUBSIDIARIES, JOINT VENTURES
AND RELATED DISCLOSURE (CONTINUED)

27 Investment in Joint ventures continued

	2020 €'000 Constanta Business Park	2020 €'000 Chitila Logistics Hub	2020 €'000 Combined
Revenue	107	288	395
Operating expenses	(83)	(103)	(186)
Administrative expenses	(50)	(40)	(90)
Fair value gain on investment property	2,556	2,423	4,979
Foreign exchange loss	(33)	(46)	(79)
Profit before net financing cost	2,497	2,522	5,019
Finance expense	(206)	(332)	(538)
Finance income	8	7	15
Income tax expense	(453)	(427)	(880)
Total comprehensive income for the year	1,846	1,770	3,616

Income tax expense mainly represents deferred tax expense on the valuation of investment property.

Share of Profit of Equity-Accounted Investments in Joint Ventures

The following table presents a reconciliation between the profit for the years ended 31 December 2021 and 2020 recorded in the individual financial statements of the joint ventures with the share of profit recognised in the Group's financial statements under the equity method.

	2021 €'000 Constanta Business Park	2021 €'000 Chitila Logistics Hub	2021 €'000 Combined
Profit/(loss) for the year	13,103	(3,430)	9,673
Group 50% share of profit/(loss) for the year	6,552	(1,715)	4,837
Adjustments for transactions with the Group	186	(13)	173
Share of profit/(loss) of equity-accounted investments in joint ventures	6,738	(1,728)	5,010

	2020 €'000 Constanta Business Park	2020 €'000 Chitila Logistics Hub	2020 €'000 Combined
Profit for the year	1,846	1,770	3,616
Group 50% share of profit for the year	923	885	1,808
Adjustments for transactions with the Group	43	46	89
Share of profit of equity-accounted investments in joint ventures	966	931	1,897

28 Investment in Subsidiaries

Policy

The Group assesses whether it has control over a subsidiary or an investee, in order to consolidate the assets, liabilities, income and expenses of the subsidiary or the investee in the Group's consolidated financial statements, based on certain judgements and assumptions.

Key Judgements and Assumptions Used in Determining the Control Over an Entity:

- Power over the investee (i.e. existing rights, directly or indirectly, in the investee that gives it the current ability to direct the relevant activities of the investee). If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns (such as the appointment of an administrator or director in the subsidiary or investee).

Details on all direct and indirect subsidiaries of the Company, over which the Group has control and consolidated as of 31 December 2021 and 31 December 2020, are disclosed in the table below. The Group did not have any restrictions (statutory, contractual or regulatory) on its ability to transfer cash or other assets (or settle liabilities) between the entities within the Group.

As of 31 December 2021, the Group consolidated the following subsidiaries, being holding companies as principal activities.

Subsidiary	Note	31 December 2021 Shareholding interest (%)	31 December 2020 Shareholding interest (%)	Place of incorporation
Globalworth Investment Advisers Limited		100	100	Guernsey, Channel Islands
Elgan Automotive Kft.	28.1	–	100	Hungary
Globalworth Holdings Cyprus Limited				
Zaggatti Holdings Limited				
Tisarra Holdings Limited				
Ramoro Limited				
Vaniasa Holdings Limited				
Serana Holdings Limited				
Kusanda Holdings Limited				
Kifeni Investments Limited	28.2	100	100	Cyprus
Casalia Holdings Limited				
Pieranu Enterprises Limited				
Dunvant Holding Limited				
Oystermouth Holding Limited				
Kinolta Investments Limited				
Minory Investments Limited				
Globalworth Tech Limited				
IB 14 Fundusz Inwestycyjny Zamkniety Aktywow Niepublicznych Lima Sp. z o.o.		100	100	Poland
Luapele Sp. z o.o. w likwidacji	28.2	–	100	Poland
West Gate Wroclaw Sp. z.o.o. West Gate Investments Sp. z o.o	28.1	–	100	Poland

SECTION VI: INVESTMENT IN SUBSIDIARIES, JOINT VENTURES AND RELATED DISCLOSURE (CONTINUED)

28 Investment in Subsidiaries continued

Key Judgements And assumptions Used in Determining the Control Over an Entity Continued:

As of 31 December 2021, the Group consolidated the following subsidiaries, which own real estate assets in Romania and Poland, being asset holding companies as their principal activities, except for Globalworth Building Management SRL, GPRE Property Management Sp. z o.o. and GPRE Management Sp. z o.o. with building management activities in Romania and Poland, and Fundatia Globalworth in Romania and Fundacja Globalworth in Poland, non-profit organisations with corporate social responsibility activities. Imbali and Kusini are shelf companies with an intention of owning properties from future acquisitions.

Subsidiary	Note	31 December 2021 Shareholding interest (%)	31 December 2020 Shareholding interest (%)	Place of incorporation
Aserat Properties SRL				
BOB Development SRL				
BOC Real Property SRL				
Corinthian Five SRL				
Corinthian Tower SRL				
Corinthian Twin Tower SRL				
Elgan Automotive SRL				
Elgan Offices SRL				
Globalworth Asset Managers SRL				
Globalworth Building Management SRL		100	100	Romania
Globalworth EXPO SRL				
SPC Beta Property Development Company SRL				
SPC Epsilon Property Development Company SRL				
SPC Gamma Property Development Company SRL				
Netron Investment SRL				
SEE Exclusive Development SRL				
Tower Center International SRL				
Upground Estates SRL				
Fundatia Globalworth				
Industrial Park West SRL	28.3	100	n/a	Romania
Nord 50 Herastrau Premium SRL				
DH Supersam Katowice Sp. z o.o.				
Hala Koszyki Sp. z o.o.				
Dolfia Sp. z o.o.				
Ebgaron Sp. z o.o.				
Bakalion Sp. z o.o.				
Centren Sp. z o.o.,				
Tryton Business Park Sp. z o.o.				
GPRE Management Sp. z o.o.				
GPRE Property Management Sp. z o.o.				
A4 Business Park Sp. z o.o.				
West Link Sp. z o.o.				
Lamantia Sp. z o.o.				
Dom Handlowy Renoma Sp. z o.o.				
Nordic Park Offices Sp. z o.o.		100	100	Poland
Warta Tower Sp. z o.o.				
Quattro Business Park Sp. z o.o.				
West Gate Sp. z o.o. (formerly: Wagstaff Investments Sp. z o.o.)				
Gold Project Sp. z o.o.				
Spektrum Tower Sp. z o.o.				
Warsaw Trade Tower 2 Sp. z o.o.				
Rondo Business Park Sp. z o.o.				
Artigo Sp. z o.o.				
Ingadi Sp. z o.o.				
Imbali Sp. z o.o.				
Kusini Sp. z o.o.				
Podium Park Sp. z o.o.				
Fundacja Globalworth				

Changes in Group Structure During 2021

28.1 Mergers During the Year

During the year ended 31 December 2021 the following subsidiaries merged:

- On 19 February 2021, Kinolta Investments Limited, a company registered in Cyprus, has absorbed Elgan Automotive Kft., a company registered in Hungary, as a result of the cross-border merger process that started during the year 2020. Subsequently, Kinolta Investments Limited was merged in Globalworth Holdings Cyprus Limited, a company registered in Cyprus, on 11 January 2022.
- During 2021, Wagstaff Investments Sp. z o.o. absorbed West Gate Wroclaw Sp. z o.o and West Gate Investments Sp. z o.o, each one of them being registered in Poland. As part of the merger process Wagstaff Investments Sp. z o.o. was renamed to West Gate Sp. z o.o. West Gate Investments Sp. z o.o. was the owner of West Gate investment property and the other companies were holding companies.

28.2 Subsidiaries Under Liquidation Process

- Following companies are dormant and have applied for the voluntary liquation during 2020: Casalia Holdings Limited, Dunvant Holding Limited, Kifeni Investments Limited, Oystermouth Holding Limited, Pieranu Enterprises Limited, Ramoro Limited, Vaniasa Holdings Limited and Zaggatti Holdings Limited.
- As of 31 December 2021, the Polish entity Luapele Sp. z o.o. w likwidacji was liquidated on 20 September 2021 and subsequently was struck off from the Register of Companies in Poland on 22 February 2022.

28.3 New Subsidiaries

- On 1 April 2021, a new subsidiary was set up that bought, from a third party, two industrial assets in Arad and Oradea, being named Industrial Park West SRL.
- On 7 October 2021, a new subsidiary, named Nord 50 Herastrau Premium SRL, was set up for future projects.

SECTION VII: OTHER DISCLOSURES

This section includes segmental disclosures highlighting the core areas of Globalworth's operations in the Office, High-Street mixed-use, residential and other (industrial and corporate segments). There were no significant transactions between segments except for management services provided by the offices segment to the residential and other (industrial) segments.

This section also includes the transactions with related parties, new standards and amendments, contingencies that existed at the year-end and details on significant events which occurred in 2021.

29 Segmental Information

The Board of Directors is of the opinion that the Group is engaged mainly in real estate business, comprising Offices, Mixed-use, Industrial and Residential investment properties segment and property management services, in two geographical areas, Romania and Poland.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers who are responsible for allocating resources and assessing the performance of the operating segments have been identified as the Executive Directors.

The Group earns revenue and holds non-current assets (investment properties) in Romania and Poland, the geographical area of its operations. For investment property, discrete financial information is provided on a property-by-property basis (including those under construction or refurbishment) to members of Executive Management, which collectively comprise the Executive Directors of the Group. The information provided is Net Operating Income ("NOI" i.e., gross rental income less property expenses) and valuation gains/losses from property valuation at each semi-annual basis. The individual properties are aggregated into Office, High Street mixed-use, Industrial and Residential segments.

Industrial property segment and head office segments are presented on a collective basis as Others in the table on the next page since their individual assets, revenue and absolute profit (or loss) are below 10% of all combined total asset, total revenue and total absolute profit (or loss) of all segments. All other segments are disclosed separately as these meet the quantitative threshold of IFRS 8.

Consequently, the Group is considered to have four reportable operating segments: the Offices segment (acquires, develops, leases and manages offices and spaces), the Residential segment (builds, acquires, develops and leases apartments), High Street mixed-use and the other segment (acquires, develops, leases and manages industrial spaces and corporate office).

Overview	Strategic report	Portfolio review	Governance	Financial statements	Additional information	Globalworth Annual Report and Financial Statements 2021						
Share-based payments expense is not allocated to individual segments as underlying instruments are managed at the Group level. Segment assets and liabilities reported to Executive Management on a segmental basis are set out below:												
	2021						2020					
	Office €'000	Mixed-use €'000	Residential €'000	Other €'000	Inter-segment eliminations €'000	Total €'000	Office €'000	Mixed-use €'000	Residential €'000	Other €'000	Inter-segment eliminations €'000	Total €'000
Rental income – Total	129,553	10,744	1,566	8,883	(447)	150,299	136,598	13,045	1,640	9,609	(440)	160,452
Romania	57,947	–	1,566	8,883	(284)	68,112	58,460	–	1,640	9,609	(274)	69,435
Poland	71,606	10,744	–	–	(163)	82,187	78,138	13,045	–	–	(166)	91,017
Revenue from contract with customers – Total	58,736	5,927	642	6,937	(3,191)	69,051	52,799	6,454	526	5,358	(2,280)	62,857
Romania	28,916	–	642	6,937	(585)	35,910	23,746	–	526	5,358	(369)	29,261
Poland	29,820	5,927	–	–	(2,606)	33,141	29,053	6,454	–	–	(1,911)	33,596
Revenue – Total	188,289	16,671	2,208	15,820	(3,638)	219,350	189,397	19,499	2,166	14,967	(2,720)	223,309
Operating expenses	(62,083)	(6,912)	(861)	(6,108)	866	(75,098)	(53,512)	(7,206)	(934)	(5,462)	1,083	(66,031)
Segment NOI	126,206	9,759	1,347	9,712	(2,772)	144,252	135,885	12,293	1,232	9,505	(1,637)	157,278
NOI – Romania	55,085	–	1,347	9,712	(757)	65,387	57,645	–	1,232	9,505	(474)	67,908
NOI – Poland	71,121	9,759	–	–	(2,015)	78,865	78,240	12,293	–	–	(1,163)	89,370
Administrative expenses	(9,409)	(419)	(57)	(15,737)	–	(25,622)	(10,966)	(1,231)	(197)	(7,066)	1,474	(17,986)
Acquisition costs	–	–	–	–	–	–	(2,907)	–	–	218	–	(2,689)
Fair value loss on investment property	(8,534)	(3,462)	(1,187)	7,445	–	(5,738)	(82,068)	(32,924)	(536)	(625)	–	(116,153)
Depreciation and amortisation expense	(444)	(1)	(46)	(45)	–	(536)	(402)	(2)	(62)	–	–	(466)
Other expenses	(1,263)	40	(502)*	(126)	–	(1,851)	(1,271)	(543)	(421)*	(330)	–	(2,565)
Other income	606	27	–	443	(25)	1,051	260	236	7	52	(61)	494
Foreign exchange gain/(loss)	108	63	(16)	59	–	214	(71)	(33)	(22)	(269)	–	(395)
Segment result	107,270	6,007	(461)	1,751	(2,797)	111,770	38,460	(22,204)	1	1,485	(224)	17,518
Finance cost	(8,809)	(454)	(1)	(46,275)	–	(55,539)	(6,956)	(348)	17	(43,853)	–	(51,140)
Finance income	800	–	18	931	–	1,749	1,493	8	13	869	–	2,383
Share-based payment expense	–	–	–	(532)	–	(532)	–	–	(13)	(1,071)	13	(1,071)
Loss from fair value of financial instruments	(386)	–	–	–	–	(386)	(47)	–	–	–	–	(47)
Share of profit of equity-accounted investments in joint ventures	–	–	–	5,010	–	5,010	–	–	–	1,897	–	1,897
Profit before tax	98,875	5,553	(444)	(39,115)	(2,797)	62,072	32,950	(22,544)	18	(40,673)	(211)	(30,460)

* Other expenses include a loss on sale of non-core investment property (apartments) and other one-off expenses.

SECTION VII: OTHER DISCLOSURES (CONTINUED)

29 Segmental Information continued

Revenues are derived from a large number of tenants and no tenant contributes more than 10% of the Group’s rental revenues for the year ended 31 December 2021 (2020: €nil).

Segments	2021						2020					
	Office €'000	Mixed-use €'000	Residential €'000	Other €'000	Inter segment eliminations €'000	Total €'000	Office €'000	Mixed-use €'000	Residential €'000	Other €'000	Inter segment eliminations €'000	Total €'000
Segment non-current assets	2,448,634	287,342	65,494	166,142	(1,532)	2,966,080	2,585,332	281,260	66,909	138,577	(407)	3,071,671
Romania	1,220,900	–	65,494	166,142	(205)	1,452,331	1,222,364	–	66,909	138,577	(200)	1,427,650
Poland	1,227,734	287,342	–	–	(1,327)	1,513,749	1,362,968	281,260	–	–	(207)	1,644,021
Assets held for sale	130,537	–	–	–	–	130,537	–	–	–	–	–	–
Total assets	3,092,367	294,007	68,863	174,203	(1,957)	3,627,483	3,016,712	287,463	69,516	257,078	(706)	3,630,063
Total liabilities	554,962	21,752	4,881	1,292,863	(331)	1,874,127	567,070	22,243	4,582	1,281,733	(929)	1,874,699
Additions to non-current assets												
– Romania	29,775	–	482	28,379	–	58,636	29,440	–	512	3,162	–	33,114
– Poland	25,397	8,568	–	–	–	33,965	45,032	4,484	–	–	–	49,516

None of the Group’s non-current assets is located in Guernsey except for goodwill (there are no employment benefit plan assets, deferred tax assets or rights arising under insurance contracts) recognised on the business combination.

30 Transactions with Related Parties

The Group’s immediate parent is Zakiono Enterprises Limited (2021: 60.6%), a wholly owned-subsidiary of Tevat Limited. Tevat Limited is jointly owned by Aroundtown SA (indirectly) and CPI Property Group S.A. The Group’s related parties are Aroundtown SA and CPI Property Group S.A, the Company’s joint ventures, the Company’s Executive and Non-Executive Directors, key other Executives, as well as all the companies controlled by them or under their joint control, or under the significant influence. The related party transactions are set out in the table below:

Name	Nature of transactions/balances	Income statement		Statement of financial position	
		Income/(expense)		owing (to)/from	
		2021 €'000	2020 €'000	2021 €'000	2020 €'000
Mindspace Ltd. ¹	Revenue	–	665	n/a ¹	n/a ¹
Global Logistics Chitila SRL (50% Joint Venture)	Shareholder loan receivable	–	–	23,156	5,391
	Finance income	463	402	–	–
	Office rent	12	12	–	–
Black Sea Vision SRL (50% Joint Venture)	Shareholder loan receivable	–	–	8,835	11,060
	Finance income	370	331	–	–
	Office rent	12	12	–	–
Mr. Ioannis Papalekas ²	Donation made to Fundatia Globalworth	n/a ²	200	n/a ²	–
Mr. Dimitris Raptis (Chief Executive Officer)	Rent revenue	3	2	–	–

1. A key Executive of Mindspace Ltd. is a close family member of the former Non-Executive Director of the Company. The former Non-Executive Director of the Company resigned from the Board of the Company on 30 March 2020, therefore, the above table only includes the transactions entered between the subsidiaries of Mindspace Limited (namely Mindspace Co-working SRL and Mindspace Poland S.A.) and certain subsidiaries of the Company until the end of his term in office as a Non-Executive Director of the Company.
2. Mr. Ioannis Papalekas resigned being the Chief Executive Officer of the Group on 16 December 2020 therefore the above table only includes the transactions entered between him and the Group until the end of his term in office.

Key Management Remuneration

The Executive Directors and non-Executive Directors are the key management personnel. Their aggregate emoluments are €1.8 million (2020: €1.8 million). Out of these amounts, €0.241 million was payable to the Directors as of 31 December 2021 (2020: €0.698 million). Further details are disclosed in the Remuneration Committee Report on pages 106 to 109.

31 New and Amended Standards

Starting from 1 January 2021 the Group adopted the following new and amended standards and interpretations. The new standards and amendments had no significant impact on the Group’s financial position and performance.

Narrow Scope Amendments And New Standards

	Effective Date (EU endorsement)
Amendments to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021	Apr-21
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	Jan-21
Attributing Benefit to Periods of Service (IAS 19 Employee Benefits) – IFRS Interpretation Committee (IFRS IC or IFRIC) Agenda Decision	May-21
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9	Jan-21

For other standards issued but not yet effective and not early adopted by the Group, the management believes that there will be no significant impact on the Group’s consolidated financial statements.

Narrow Scope Amendments And New Standards

	Effective Date (EU endorsement)
Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020	Jan-22
IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17	Jan-23
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	Jan-23
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	Jan-23
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	Jan-23
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Jan-23
Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	Jan-23
Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

32 Contingencies

Taxation

All amounts due to State authorities for taxes have been paid or accrued at the balance sheet date. The tax system in Romania and Poland undergoes a consolidation process and is being harmonised with the European legislation. Different interpretations may exist at the level of the tax authorities in relation to the tax legislation that may result in additional taxes and penalties payable. Where the State authorities have findings from reviews relating to breaches of tax laws, and related regulations, these may result in confiscation of the amounts in case; additional tax liabilities are payable; fines and penalties (that are applied on the total outstanding amount). As a result, the fiscal penalties resulting from breaches of the legal provisions may result in a significant amount payable to the State. The Group believes that it has paid in due time and in full all applicable taxes, penalties and penalty interests in the applicable extent.

Transfer Pricing

According to the applicable relevant tax legislation in Romania and Poland, the tax assessment of related party transactions is based on the concept of market value for the respective transfers. Following this concept, the transfer prices should be adjusted so that they reflect the market prices that would have been set between unrelated companies acting independently (i.e. based on the “arm’s length principle”). It is likely that transfer pricing reviews will be undertaken in the future in order to assess whether the transfer pricing policy observes the “arm’s length principle” and therefore no distortion exists that may affect the taxable base of the taxpayer in Romania and Poland.

Legal Proceedings

In recent years the Romanian State Authorities initiated reviews of real estate restitution processes and in some cases commenced legal procedures where it has considered that the restitution was not performed in accordance with the applicable legislation. The Group is involved in one such case, which is currently at a very early stage and may take a very long time to be concluded, and management believes that the risk of any significant loss occurring in future is remote.

33 Subsequent Events

On 10 March 2022, the Company announced that its Board of Directors had approved the payment of an interim dividend in respect of the six-month financial period ended 31 December 2021 of € 0.13 per ordinary share, which will be paid on 1 April 2022 to shareholders on the register as at close of business on 18 March 2022 with a corresponding ex-dividend date of 17 March 2022.

In connection with the war in Ukraine which started at the end of February 2022, we do not have direct exposures to related parties and/or key customers or suppliers from those countries, however, at this point it is too early to assess the impact that this war will have in the overall economy and our markets of interest.

INDEPENDENT AUDITOR’S REPORT

to the Members of Globalworth Real Estate Investments Limited

Opinion

We have audited the consolidated financial statements of Globalworth Real Estate Investments Limited (“the Company”) and its subsidiaries (together “the Group”), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”) and in compliance with the Companies (Guernsey) Law, 2008, as amended.

Basis for opinion

We conducted our audit in accordance with International Standards 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 International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of Investment Property (€2,944 million)	
The valuation of investment property is the key driver of the Group’s net asset value and total return. Valuation of investment property requires specialist expertise and the use of significant judgements, estimates and assumptions, giving rise to a higher risk of misstatement. The impact of the COVID-19 pandemic on the current economic environment resulted in increased subjectivity and required further consideration from the audit team, including our internal specialists.	The audit procedures performed on the valuation of investment property included among others the following: <ul style="list-style-type: none">– We documented our understanding and walkthrough to confirm the processes, policies and methodologies used by management for valuing investment property; specific attention was given to COVID 19 impact through discussion with management and EY valuation specialists.– We agreed the valuations recorded in the consolidated financial statements to the values reported by the Group’s independent experts (“specialists”);– We agreed a sample of the significant inputs, particularly rental data, let areas and projected capex, used by the specialists to value investment property to contractual documentation and development plans;– We tested the arithmetical accuracy of the calculations done by specialists for the main assumptions in the models, by performing a sample of their calculations;– We involved our own internal valuation specialists from Romania and Poland to assist us to:<ul style="list-style-type: none">– evaluate, using their knowledge of the market, and corroborate the market related judgements and valuation inputs (including discount rates, exit yields and sales values) used by the specialists, for a sample of properties (properties with significant value, risky or with significant changes in values or conditions);– assess the conformity of the valuation methods applied with the applicable valuation standards; and– evaluate the competence, capability and objectivity of the external valuation specialists.
For this reason we consider valuation of investment property a key audit matter.	
The Group’s disclosures regarding its accounting policy, fair value measurement and related judgments, estimates and assumptions used for investment property are in notes 3 and 4 of the consolidated financial statements.	
	We also considered the adequacy of disclosures in relation to the investment property valuation.

Overview	Strategic report	Portfolio review	Governance	Financial statements	Additional information
Key Audit Matter			How our audit addressed the Key Audit Matter		
Recognition of rental income including accounting for lease incentives (€150.3 million);					
Revenue from rental income is a significant metric and indicator of the Group’s progress and its susceptibility to management override of controls gives rise to a higher risk of misstatement.			The audit procedures performed for the audit of revenue included among others the following: <ul style="list-style-type: none">– We documented our understanding of the processes, policies and methodologies used by management in respect of revenue recognition and performed walkthrough tests to confirm our understanding of the systems and controls implemented;– We performed reasonability tests on rental income to identify any inconsistencies in rental income patterns;– On a sample basis we agreed rental rates to tenancy agreements and rent received to bank statements;– On a sample basis we reviewed tenancy agreements signed within 2021 to identify any lease incentives;– For a sample of tenancy agreements with lease incentives, we recalculated the spreading of the incentives over the period of the contract by reference to the terms of the agreements and we assessed the appropriateness of the accounting treatment by reference to the requirements of IFRS;– We enquired the Group’s commercial teams about unusual lease terms and we evaluated the completeness of lease incentives through scrutiny of other agreements in place with the tenants including any lease concessions and discounts as a response to COVID-19.		
For these reasons we consider recognition of rental income a key audit matter.			We also considered the adequacy of disclosures in relation to rental income.		
The Group’s disclosures regarding its accounting policy for rental income and lease incentives are in note 7 of the consolidated financial statements.					

Other information included in the Group’s 2021 Annual Report

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor’s report thereon. The Directors are responsible for the other information.

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

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

Responsibilities of Directors and Audit Committee for the consolidated financial statements

Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and in compliance with the Companies (Guernsey) Law, 2008, as amended, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group’s financial reporting process.

INDEPENDENT AUDITOR’S REPORT

to the Members of Globalworth Real Estate Investments Limited

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

European Single Electronic Format

We have examined the digital files of the European Single Electronic Format (ESEF) of the Group for the year ended 31 December 2021 comprising an XHTML file which includes the consolidated financial statements for the year then ended and XBRL files with the marking up carried out by the entity identified as “Globalworth-Annual-Report-and-Financial-Statements-2021-ESEF.zip” (the “digital files”).

The Directors are responsible for preparing and submitting the consolidated financial statements for the year ended 31 December 2021 in accordance with the requirements set out in the EU Delegated Regulation 2019/815 of 17 December 2018 of the European Commission. (the “ESEF Regulation”).

Our responsibility is to examine the digital files prepared by the Directors in accordance with the Audit Guidelines issued by the Institute of Certified Public Accountants of Cyprus (the “Audit Guidelines”). These Audit Guidelines require us to plan and perform our audit procedures in order to examine whether the content of the consolidated financial statements included in the digital files correspond to the consolidated financial statements we have audited, and whether the format and marking up included in the digital files has been prepared in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital files examined correspond to the consolidated financial statements, and the consolidated financial statements included in the digital files, are presented and marked-up, in all material respects, in accordance with the requirements of the ESEF Regulation.

The engagement partner on the audit resulting in this independent auditor’s report is Andreas Hadjidamianou.

Ernst & Young Cyprus Limited

Certified Public Accountants and Registered Auditors

Jean Nouvel Tower,
6 Stasinos Avenue,
P.O.Box 21656,
1511 Nicosia,
Cyprus

24 March 2022

ADDITIONAL INFORMATION

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SCHEDULE OF PROPERTIES: ROMANIA

Property name	Number of Properties	Location	Address	Year of completion / Latest Refurbishment	GLA (k sqm) ⁽¹⁾	Occupancy (%)	Contracted rent (€m)	WALL (years)	Potential rent at 100% occupancy (€m) ⁽²⁾	GAV (€m)	Select Tenants
Office (Standing or Under Construction)											
BOB	1	Bucharest	6A Dimitrie Pompeiu Blvd, District 2	2008/2017	22.4	69.1%	2.7	3.2	3.7	47.5	Deutsche Bank, Ridzone Computers, NX Data
BOC	1	Bucharest	3 George Constantinescu St., District 2	2009/2014	57.1	83.0%	8.2	3.2	9.9	142.2	Honeywell, HP, Nestle, Mood Media
City Offices	2	Bucharest	2 – 4A Oltenitei Street., District 4	2014/2017	36.1	75.0%	3.9	6.0	5.8	72.9	Vodafone, BRD, Edenred
Gara Herastrau	1	Bucharest	4B Gara Herastrau Street, District 2	2016	12.0	94.3%	1.8	2.1	1.9	28.2	ADP, Qualitest
Green Court Complex	3	Bucharest	4 Gara Herastrau, District 2	2014/2015/2016	54.3	99.1%	10.1	2.8	10.2	148.1	Orange, Carrefour, Schneider Electric, Sanofi
Globalworth Campus	3	Bucharest	4-6 Dimitrie Pompeiu Blvd, District 2	2017/2018/2020	90.8	83.7%	12.4	7.2	15.1	213.3	Amazon, Unicredit Services, Allianz, Stefanini, Dell, Mindspace
Globalworth Plaza	1	Bucharest	42 Pipera Road, District 2	2010/2017	24.1	97.4%	4.3	4.8	4.5	62.1	Cegedim, Patria Bank, AC Nielsen, Gothaer, Coface
Globalworth Square	1	Bucharest	44 Pipera Street , District 2	2021	29.2	63.8%	4.4	5.2	6.4	74.4	Wipro, Delivery Solutions (Sameday); Qualitest
Globalworth Tower	1	Bucharest	201 Barbu Vacarescu Street, District 2	2016	54.7	97.5%	11.7	5.2	12.2	183.1	Vodafone, Huawei, NNDKP, Wipro, Mega Image
Renault Bucharest Connected	2	Bucharest	Preciziei 3G, District 6	2018	42.3	100.0%	5.9	8.1	5.9	85.3	Automobile Dacia
Tower Center International	1	Bucharest	15-17 Ion Mihalache Blvd, District 1	2012	22.4	97.1%	4.9	5.0	5.0	75.2	EY, Hidroelectrica, Cegeka, Tradeshift, Mindspace
Unicredit HQ	1	Bucharest	1F Expozitiei Blvd, District 1	2012	17.4	100.0%	3.6	3.4	3.6	51.8	Unicredit
Industrial (Standing or Under Construction)											
Pitesti Industrial Park	2	Pitesti	1 Dacia A1 Street, Oarja, Arges County	2010	68.4	100.0%	3.4	8.9	3.4	49.1	Automobile Dacia
				2022(E)	6.7	100.0%	0.6	10.0	0.6	5.7	Caroli Foods
Timisoara Industrial Park I	4	Timisoara	Lipovei Way, Giarmata, Timis	2011	103.4	100.0%	4.7	6.0	4.7	61.4	Continental, Valeo Lighting, Honeywell, Litens, Coca Cola
Timisoara Industrial Park II	2	Timisoara	Lipovei Way, Giarmata, Timis	2019	17.9	47.4%	0.4	3.8	0.8	9.9	DS Smith, Liberty Springs, Mainfreight
				2022(E)	19.0	–	–	–	0.8	7.7	–
Chitila Logistics Hub ⁽³⁾	3	Bucharest	77 Rudeni, Chitila, jud. Ilfov	2020	23.3	87.0% (96.3%*)	0.9	8.0	1.1	14.0	HAVI Logistics, Mega Image, Rovere, Green Net, Alloga Logistics
				2022(E)	16.1	90.4% (100.0%*)	0.8	9.6	0.8	10.5	HAVI Logistics
				2022(E)	38.0	0.0% (7.9%*)	–	–	1.7	6.7	–
Constanta Business Park I ⁽³⁾	2	Constanta	Lazu, jud. Constanta	2020	21.1	99.3%	0.9	5.0	0.9	12.9	Quadrant Amroq Beverages (Pepsi), Maracana, Rio Bucovina
				2022(E)	19.0	19.4%	0.2	10.0	0.8	7.0	Progress Consulting
Industrial Park West Arad	1	Arad	7 IV Industrial West Zone Street	2020	20.1	100.0%	1.1	13.1	1.1	16.2	HUF Romania
Industrial Park West Oradea	1	Oradea	22 Nicolae Filipescu Street	2020	6.9	100.0%	0.4	13.7	0.4	5.6	IWIS Engine Systems
Retail / Residential (Standing)											
Upground Towers	1	Bucharest	9B Fabrica de Glucoza Street, District 2	2011	36.3	Retail: 95.6% / Resi: 74.1%	Retail: 0.7 / Resi: 0.9	Retail: 10.3 / Resi: 2.3	Retail: 0.7 / Resi: 0.9	65.9	World Class, Mega Image (Delhaize group)
Land for future development											
Globalworth West	-	Bucharest	Preciziei 3F	n.a.	12.1 / 33.4	–	–	–	–	7.9	
Green Court D	-	Bucharest	1 Dimitrie Pompeiu Blvd, District 2	n.a.	4.0 / 16.2	–	–	–	–	6.3	
Luterana	-	Bucharest	7-13 Luterana Street, District 1	n.a.	6.6 / 26.4	–	–	–	–	14.3	
Constanta Business Park ⁽³⁾	-	Constanta	Lazu, jud. Constanta	n.a.	879.6 / 526.2	–	–	–	–	35.6	
Timisoara Industrial Park (I and II)	-	Timisoara	Lipovei Way, Giarmata, Timis	n.a.	310.1 / 156.8	–	–	–	–	10.4	
Herastrau One	-	Bucharest	48-50 Soseaua Nordului, District 1	n.a.	3.2 / n.a.	–	–	–	–	8.3	
Total Standing Commercial Portfolio											
No of Commercial Investments: 19 28					729.9	90.7% / 91.0%*	86.6	5.4	97.3	1,363.1	

Notes

1 GLA of "Land for future development" represents size of land plot / expected GLA upon completion of development.

2 Contracted rent at 100% occupancy (including ERV on available spaces).

3 Properties owned through JV agreements (Chitila Logistics Hub and Constanta Business Park) are presented on the 100% basis. Globalworth holds a 50% share in the respective JV companies.

* Includes tenant options.

SCHEDULE OF PROPERTIES: POLAND

Property name	Number of Properties	Location	Address	Year of completion / Latest Refurbishment	GLA (k sqm)	Occupancy (%)	Contracted rent (€m)	WALL (years)	Potential rent at 100% occupancy (€m) ⁽¹⁾	GAV (€m)	Select Tenants
Office ⁽²⁾											
Batory Building 1	1	Warsaw	212A Jerozolimskie Av.	2000 / 2017	6.6	97.8%	1.0	3.8	1.0	12.1	Solid Group, ZST, Impuls Leasing
Bliski Centrum	1	Warsaw	8 Zurawia St.	2000 / 2018	4.9	96.5%	1.0	4.6	1.1	13.6	Eurozet, eToto
Nordic Park	1	Warsaw	8 Herberta St.	2000 / 2018	9.0	99.5%	1.8	3.5	1.9	23.1	Baxter, ZBP
Philips	1	Warsaw	195A Jerozolimskie Av.	1999 / 2018	6.2	90.9%	1.0	1.8	1.1	13.2	Philips, Trane
Skylight & Lumen	2	Warsaw	59 Zlota St.	2007	49.2	87.1%	11.5	2.5	13.3	214.5	Pernod Ricard, Mars, InOffice, Orbis, SEB Leasing
Spektrum Tower	1	Warsaw	18 Twarda St.	2003 / 2015	32.1	89.5%	6.3	3.6	7.3	113.2	CityFit, The View, Westwing, Ecovadis
Warsaw Trade Tower	1	Warsaw	51 Chłodna St.	1999 / 2016	46.8	80.0%	7.7	5.0	9.8	145.5	Uniq, BNI, Altkom
WARTA Tower	1	Warsaw	85 Chmielna St.	2000	33.7	22.7%	1.2	0.1	6.3	58.7	ITmagination
CB Lubicz	2	Krakow	23, 23A Lubicz St.	2000 & '09 / 2018 & '09	25.9	78.6%	4.1	4.2	5.2	72.3	International Paper, Allegro, Deutsche Bank
Podium Park	3	Krakow	al. Jana Pawła II 43a	Podium Park I: 2018	18.9	99.7%	3.3	4.4	3.3	99.3	Aïlleron, Heineken, Revolut Ltd, W. Kruk, FMC Technologies
				Podium Park II: 2020	18.8	100.0%	3.3	4.2	3.3		
				Podium Park III: F.D.	17.7	–	–	–	3.1		
Quattro Business Park	5	Krakow	25 Bora-Komorowskiego Av.	2010, '11, '13, '14 & '15	66.2	79.8%	8.8	2.0	11.2	135.6	Capgemini, Google, Perkin Elmer, Samsung Electronics
Rondo Business Park	3	Krakow	38 Lubla ska St.	2007 – '08	20.3	86.4%	2.9	2.4	3.3	34.5	Capgemini, CRIF
Retro Office House	1	Wroclaw	69/73, Piłsudskiego	2019	23.2	97.0%	3.7	2.7	3.8	61.7	Infor, Olympus, Intive
West Gate & West Link	2	Wroclaw	2 Szybowcowa St.	2015 / 2018	33.5	98.9%	5.6	8.2	5.6	86.2	Nokia, Deichmann
A4 Business Park	3	Katowice	42 Francuska St.	2014 – '16	33.1	100.0%	5.3	4.9	5.3	69.1	Rockwell, PKP Cargo, Kyndryl
Silesia Star	2	Katowice	10 aleja Ro dzie skiego	2016	30.2	92.6%	4.8	3.6	5.1	57.8	Getin Bank, Siemens, Idea Getin Leasing, Hireright
Green Horizon	2	Lodz	106a Pomorska St.	2012 – '13	35.5	85.8%	4.5	5.5	5.4	68.0	Infosys, Capita, PKO BP
Tryton	1	Gdansk	11 Jana z Kolna St.	2016	25.6	99.6%	4.3	3.3	4.3	56.7	Intel, City Space, Ciklum
Mixed-Use ⁽²⁾											
Hala Koszyki	5	Warsaw	63 Koszykowa St.	5x2016	22.3	92.1%	6.0	5.0	6.5	121.7	Mindspace, Multimedia, Eneris
Renoma (under refurbishment)	1	Wroclaw	40 Swidnicka St.	2009	40.9	54.5%	3.9	5.5	7.2	109.3	DXC, TK Maxx, Apcoa, Empik, LPP Group,
Supersam (under refurbishment)	1	Katowice	8 Piotra Skargi St.	2015	24.3	85.7%	2.9	2.6	3.6	46.7	Groupon, LPP Group, Aldi, Sports Direct
Right of First Offer (“ROFO”) ⁽³⁾											
My Place II	1	Warsaw	Beethovena Street	2020	17.2	60%	n/a	n/a	3.1	33.5	Ars Thanea, Networks
Total Standing Commercial Portfolio											
No of Commercial Investments: 19	37				542.1	85.6%	87.9	3.9	104.0	1,447.2	

Notes

1 Contracted rent at 100% occupancy (including ERV on available spaces).

2 All properties are 100% owned by Globalworth Poland. Globalworth at 31 Dec 2021 held 100.0% in Globalworth Poland.

3 Globalworth Poland has a 25% economic interest in the ROFO asset.

STANDING PORTFOLIO – BREAKDOWN BY LOCATION & TYPE

(Data as of 31 December 2021)

	Number of		Value	Area	Occupancy Rate		Rent		Contracted Headline Rent / Sqm or Unit		
	Investments	Properties	GAV	GLA	by GLA	Contracted	WALL	100% Rent	Office	Commercial	Industrial
	(#)	(#)	(€m)	(k sqm)	(%)	Rent (€m)	Years	(€m)	(€/sqm/m)	(€/sqm/m)	(€/sqm/m)
Office & Mixed-Use Portfolio											
Bucharest New CBD	8	12	898.9	344.6	86.9%	55.7	4.7	63.7	14.0	14.0	–
Bucharest Other	4	6	285.2	118.2	91.8%	18.3	5.9	20.3	13.5	13.2	–
Romania: Office	12	18	1,184.1	462.8	88.1%	74.0	5.0	84.1	13.9	13.7	–
Warsaw	9	14	715.6	210.9	77.3%	37.6	3.6	48.3	17.3	17.4	–
Krakow	4	12	332.1	150.1	85.5%	22.3	3.1	26.2	13.3	13.2	–
Wroclaw	2	3	147.9	56.6	98.1%	9.2	6.0	9.4	12.9	12.8	–
Lodz	1	2	68.0	35.5	85.8%	4.5	5.5	5.4	11.6	11.7	–
Katowice	2	5	126.9	63.3	96.5%	10.0	4.3	10.4	12.7	12.5	–
Gdansk	1	1	56.7	25.6	99.6%	4.3	3.3	4.3	12.9	12.9	–
Poland: Office & Mixed-Use	19	37	1,447.2	542.1	85.6%	87.9	3.9	104.0	14.4	14.4	–
Total Office & Mixed-Use Portfolio	31	55	2,631.3	1,004.9	86.8%	161.9	4.4	188.0	14.2	14.1	–
Logistics / Light-Industrial											
Timisoara	2	5	71.3	121.3	92.3%	5.1	5.8	5.5	6.3	3.8	3.5
Arad	1	1	16.2	20.1	100.0%	1.1	13.1	1.1	6.3	4.7	4.4
Oradea	1	1	5.6	6.9	100.0%	0.4	13.7	0.4	5.0	4.8	4.7
Pitesti	1	1	49.1	68.4	100.0%	3.4	8.9	3.4	4.2	4.2	4.2
Constanta	1	1	12.9	21.1	99.3%	0.9	5.0	0.9	6.9	3.5	3.3
Bucharest	1	1	14.0	23.3	87.0%	0.9	8.0	1.1	7.2	3.9	3.7
Total Logistics / Light-Ind. Portfolio	7	10	169.1	261.1	95.2%	11.9	7.8	12.5	6.0	4.0	3.8
Other Portfolio											
Bucharest New CBD Upground Complex - Residential	1	1	56.0	30.3	nm	0.9	2.3	0.9	–	–	–
Bucharest New CBD Upground Complex - Commercial	–	–	9.9	6.0	95.6%	0.7	10.3	0.7	–	9.7	–
Total Other Portfolio			65.9	36.3	nm	1.6	5.7	1.7	–	9.7	–
Total Standing Commercial Portfolio	38	65	2,810.3	1,272.0	88.5%	174.5	4.7	201.2	14.0	11.9	3.8
Of which Romania	19	28	1,363.1	729.9	90.7%	86.6	5.4	97.3	13.5	10.0	3.8
Of which Poland	19	37	1,447.2	542.1	85.6%	87.9	3.9	104.0	14.4	14.4	–

PORTFOLIO – BREAKDOWN BY LOCATION & TYPE

(Data as of 31 December 2021)

	Investments (#)	Properties (#)	Standing Properties	Under Construction	Land & Future Developments	Total Portfolio		Standing Properties	Under Construction	Future Developments	Total Portfolio	Standing Properties	Under Construction	Future Developments	ERV of Available Spaces		Total	
															Standing	U/C & Future	Standing & U/C	Future
Office Portfolio																		
Bucharest New CBD	8	12	898.9	–	6.3	905.2		344.6	–	16.2	360.8	55.7	–	–	8.1	- / 3.0	63.7	3.0
Bucharest Other	4	6	285.2	–	22.2	307.4		118.2	–	59.8	178.0	18.3	–	–	2.0	- / 10.9	20.3	10.9
Romania: Office	12	18	1,184.1	–	28.5	1,212.6		462.8	–	76.0	538.8	74.0	–	–	10.1	- / 13.9	84.1	13.9
Warsaw	9	14	715.6	–	–	715.6		210.9	–	–	210.9	37.6	–	–	4.2	- / -	41.8	–
Krakow	4	12	332.1	–	9.6	341.7		150.1	–	17.7	167.8	22.3	–	–	3.9	- / 3.1	26.2	3.1
Wroclaw	2	3	147.9	109.3	–	257.2		56.6	40.9	–	97.5	9.2	3.9	–	0.2	3.3 / -	16.6	–
Lodz	1	2	68.0	–	–	68.0		35.5	–	–	35.5	4.5	–	–	0.8	- / -	5.4	–
Katowice	2	5	126.9	46.7	–	173.6		63.3	24.3	–	87.6	10.0	2.9	–	0.3	0.6 / -	13.9	–
Gdansk	1	1	56.7	–	–	56.7		25.6	–	–	25.6	4.3	–	–	0.0	- / -	4.3	–
Poland: Office & Mixed-Use	19	37	1,447.2	156.0	9.6	1,612.8		542.1	65.2	17.7	625.0	87.9	6.8	–	9.5	4.0 / 3.1	108.2	3.1
Total Office & Mixed-Use Portfolio	31	55	2,631.3	156.0	38.1	2,825.4		1,004.9	65.2	93.7	1,163.8	161.9	6.8	–	19.6		192.3	17.0
Logistics / Light-Industrial																		
Timisoara	2	5	71.3	7.7	10.4	89.4		121.3	19.0	156.8	297.1	5.1	–	–	0.4	0.8 / 6.5	6.3	6.5
Arad	1	1	16.2	–	–	16.2		20.1	–	–	20.1	1.1	–	–	–	- / -	1.1	–
Oradea	1	1	5.6	–	–	5.6		6.9	–	–	6.9	0.4	–	–	–	- / -	0.4	–
Pitesti	1	1	49.1	5.7	–	54.8		68.4	6.7	–	75.1	3.4	0.6	–	–	- / -	4.0	–
Constanta	1	1	12.9	7.0	35.6	55.5		21.1	19.0	526.2	566.3	0.9	0.2	–	0.0	0.7 / 27.8	1.8	27.8
Bucharest	1	1	14.0	17.2	–	31.2		23.3	54.1	–	77.4	0.9	0.8	–	0.1	1.8 / -	3.6	–
Total Logistics / Light-Ind. Portfolio	7	10	169.1	37.6	46.0	252.7		261.1	98.9	683.1	1,043.0	11.9	1.5	–	0.6	3.3 / 34.2	17.2	34.2
Other Portfolio																		
Bucharest New CBD Upground Complex - Residential	1	1	56.0	–	–	56.0		30.3	–	–	30.3	0.9	–	–	–	- / -	0.9	–
Bucharest New CBD Upground Complex - Commercial	–	–	9.9	–	–	9.9		6.0	–	–	6.0	0.7	–	–	0.1	- / -	0.7	–
Total Other Portfolio	–	–	65.9	–	–	65.9		36.3	–	–	36.3	1.6	–	–	0.1	- / -	1.7	–
Total Commercial Portfolio	38	65	2,810.3	193.6	84.1	3,088.0		1,272.0	164.1	776.8	2,212.8	174.5	8.3	–	26.7	7.2 / 51.2	216.7	51.2
Of which Romania	19	28	1,363.1	37.6	74.5	1,475.2		729.9	98.9	759.1	1,587.8	86.6	1.5	–	10.7	3.3 / 48.1	102.0	48.1
Of which Poland	19	37	1,447.2	156.0	9.6	1,612.8		542.1	65.2	17.7	625.0	87.9	6.8	–	16.0	4.0 / 3.1	114.7	3.1

PORTFOLIO ANALYSES

(Data as of 31 December 2021)

Portfolio Analysis by Value and Property Type

	Combined Portfolio (CP) (€m)	% of total	JV included in CP (€m)	Consolidated Portfolio (€m)	Adj. for JV ownership (€m)	Group Share (€m)	% of total
Romania							
Office	1,192.0	37.8%	–	1,192.0	–	1,192.0	38.3%
Light Industrial / Logistics	206.7	6.6%	(51.1)	155.6	25.6	181.2	5.8%
Residential & Lands	140.8	4.5%	(35.6)	105.2	17.8	123.0	4.0%
Total Romania	1,539.5	48.8%	(86.7)	1,452.8	43.4	1,496.2	48.1%
Poland							
Office	1,335.1	42.4%	–	1,335.1	–	1,335.1	42.9%
Mixed-Use	277.7	8.8%	–	277.7	–	277.7	8.9%
Total Poland	1,612.8	51.2%	–	1,612.8	–	1,612.8	51.9%
Grand Total	3,152.3	100.0%	(86.7)	3,065.6	43.4	3,108.9	100.0%

Notes: Globalworth includes 100% of the portfolio value of the investments made under JV agreements, in the Combined Portfolio.

	Combined Portfolio (CP) (€m)	% of total	JV included in CP (€m)	Consolidated Portfolio (€m)	Adj. for JV ownership (€m)	Group Share (€m)	% of total
Romania							
Bucharest – New CBD	971.1	30.8%	–	971.1	–	971.1	31.2%
Bucharest – Other	346.9	11.0%	(31.2)	315.7	15.6	331.3	10.7%

Portfolio Analysis by Value and Location

	Combined Portfolio (CP) (€m)	% of total	JV included in CP (€m)	Consolidated Portfolio (€m)	Adj. for JV ownership (€m)	Group Share (€m)	% of total
Romania							
Bucharest	1,318.0	41.8%	(31.2)	1,286.8	15.6	1,302.4	41.9%
Timisoara	89.4	2.8%	–	89.4	–	89.4	2.9%
Pitesti	54.8	1.7%	–	54.8	–	54.8	1.8%
Constanta	55.5	1.8%	(55.5)	–	27.8	27.8	0.9%
Arad	16.2	0.5%	–	16.2	–	16.2	0.5%
Oradea	5.6	0.2%	–	5.6	–	5.6	0.2%
Total Romania	1,539.5	48.8%	(86.7)	1,452.8	43.4	1,496.2	48.1%
Poland							
Warsaw	715.6	22.7%	–	715.6	–	715.6	23.0%
Krakow	341.7	10.8%	–	341.7	–	341.7	11.0%
Wroclaw	257.2	8.2%	–	257.2	–	257.2	8.3%
Katowice	173.6	5.5%	–	173.6	–	173.6	5.6%
Lodz	68.0	2.2%	–	68.0	–	68.0	2.2%
Gdansk	56.7	1.8%	–	56.7	–	56.7	1.8%
Total Poland	1,612.8	51.2%	–	1,612.8	–	1,612.8	51.9%
Grand Total	3,152.3	100.0%	(86.7)	3,065.6	43.4	3,108.9	100.0%

Notes: Globalworth includes 100% of the portfolio value of the investments made under JV agreements, in the Combined Portfolio.

Portfolio Analysis by Commercial Contracted Rent and Property Type as at 31 December 2021

	Combined Portfolio (CP) (€m)	% of total	JV included in CP (€m)	Consolidated Portfolio (€m)	Adj. for JV ownership (€m)	Group Share (€m)	% of total
Romania							
Office	74.0	40.3%	–	74.0	–	74.0	40.6%
Light Industrial / Logistics	13.4	7.3%	(2.8)	10.6	1.4	12.0	6.6%
Residential & Other	1.6	0.9%	–	1.6	–	1.6	0.9%
Total Romania	89.0	48.4%	(2.8)	86.2	1.4	87.6	48.0%
Poland							
Office	82.0	44.6%	–	82.0	–	82.0	45.0%
Mixed-Use	12.7	6.9%	–	12.7	–	12.7	7.0%
Total Poland	94.7	51.6%	–	94.7	–	94.7	52.0%
Grand Total	183.7	100.0%	(2.8)	180.9	1.4	182.3	100.0%

Notes: Globalworth includes 100% of Contracted Rent from investments made under JV agreements, in the Combined Portfolio.

Portfolio Analysis by Contracted Rent and Location

	Combined Portfolio (CP) (€m)	% of total	JV included in CP (€m)	Consolidated Portfolio (€m)	Adj. for JV ownership (€m)	Group Share (€m)	% of total
Romania							
Bucharest	77.3	42.1%	(1.7)	75.6	0.8	76.4	41.9%
Timisoara	5.1	2.8%	–	5.1	–	5.1	2.8%
Pitesti	4.0	2.2%	–	4.0	–	4.0	2.2%
Constanta	1.1	0.6%	(1.1)	–	0.5	0.5	0.3%
Arad	1.1	0.6%	–	1.1	–	1.1	0.6%
Oradea	0.4	0.2%	–	0.4	–	0.4	0.2%
Total Romania	89.0	48.4%	(2.8)	86.2	1.4	87.6	48.0%
Poland							
Warsaw	37.6	20.4%	–	37.6	–	37.6	20.6%
Wroclaw	13.1	7.1%	–	13.1	–	13.1	7.2%
Krakow	22.3	12.1%	–	22.3	–	22.3	12.2%
Katowice	13.0	7.1%	–	13.0	–	13.0	7.1%
Lodz	4.5	2.5%	–	4.5	–	4.5	2.5%
Gdansk	4.3	2.3%	–	4.3	–	4.3	2.4%
Total Poland	94.7	51.6%	–	94.7	–	94.7	52.0%
Grand Total	183.7	100.0%	(2.8)	180.9	1.4	182.3	100.0%

Notes: Globalworth includes 100% of Contracted Rent from investments made under JV agreements, in the Combined Portfolio.

Portfolio Analysis by Commercial Contracted Rent and Tenant Origin as at 31 December 2021

	Combined Portfolio (CP) (€m)	% of total	JV included in CP (€m)	Consolidated Portfolio (€m)	Adj. for JV ownership (€m)	Group Share (€m)	% of total
Romania							
Multi	78.3	42.6%	(1.8)	76.4	0.9	77.3	42.4%
National	9.6	5.2%	(0.9)	8.7	0.5	9.2	5.0%
State Owned	1.1	0.6%	–	1.1	–	1.1	0.6%
Total Romania	89.0	48.4%	(2.8)	86.2	1.4	87.6	48.0%
Poland							
Multi	68.7	37.4%	–	68.7	–	68.7	37.7%
National	24.4	13.3%	–	24.4	–	24.4	13.4%
State Owned	1.5	0.8%	–	1.5	–	1.5	0.8%
Total Poland	94.7	51.6%	–	94.7	–	94.7	52.0%
Grand Total	183.7	100.0%	(2.8)	180.9	1.4	182.3	100.0%

Notes: Globalworth includes 100% of Contracted Rent from investments made under JV agreements, in the Combined Portfolio.

EPRA NAV METRICS

	EPRA NRV 31-Dec-21 €'000	EPRA NRV 31-Dec-20 €'000	EPRA NTA 31-Dec-21 €'000	EPRA NTA 31-Dec-20 €'000	EPRA NDV 31-Dec-21 €'000	EPRA NDV 31-Dec-20 €'000
Net assets attributable to equity holders of the parent	1,738,629	1,755,364	1,738,629	1,755,364	1,738,629	1,755,364
Include / exclude						
I) Hybrid instruments	–	–	–	–	–	–
Diluted NAV	1,738,629	1,755,364	1,738,629	1,755,364	1,738,629	1,755,364
Include:						
II) a) Revaluation of IP (if IAS 40 cost option is used)	–	–	–	–	–	–
II) b) Revaluation of IPUC (if IAS 40 cost option is used)	–	–	–	–	–	–
II) c) Revaluation of other non-current investments	–	–	–	–	–	–
III) Revaluation of tenant leases held as finance leases	–	–	–	–	–	–
IV) Revaluation of trading properties	–	–	–	–	–	–
Diluted NAV at fair value	1,738,629	1,755,364	1,738,629	1,755,364	1,738,629	1,755,364
Exclude:						
V) 50% of deferred tax in relation to fair value gains of IP	181,542	171,197	90,771	85,599	n/a	n/a
VI) Fair value of financial instruments	236	872	236	872	236	872
VII) Goodwill as a result of deferred tax	(5,697)	(5,697)	(5,697)	(5,697)	(5,697)	(5,697)
VIII.a) Goodwill as per the IFRS balance sheet	n/a	n/a	(6,652)	(6,652)	(6,652)	(6,652)
VIII.b) Intangibles as per the IFRS balance sheet	n/a	n/a	(73)	(49)	(73)	(49)
IX) Adjustment in respect of Joint venture for above items	2,753	1,742	2,753	1,742	n/a	n/a
Include:						
IX) Fair value of fixed interest rate debt	n/a	n/a	n/a	n/a	(77,789)	(93,441)
X) Revaluation of intangibles to fair value	n/a	n/a	n/a	n/a	n/a	n/a
XI) Real estate transfer tax / acquisition costs	–	–	–	–	n/a	n/a
NAV	1,917,463	1,923,478	1,819,967	1,831,179	1,648,654	1,650,397
Fully diluted number of shares	221,373	221,486	221,373	221,486	221,373	221,486
NAV per share (EUR)	8.66	8.68	8.22	8.27	7.45	7.45

INVESTING POLICY

Investing Strategy

The Company's primary focus is to invest in a diversified portfolio of real estate assets situated in Romania and Poland, the two largest markets in Central and Eastern Europe. The Company may also invest in real estate assets located in other South-Eastern European and Central Eastern European countries. The Directors believe its primary markets of investment represent an attractive real estate investment proposition over the medium-to-long term.

By investing in income-generating properties, asset repositioning and development opportunities, and seeking to derive most of its income from multinational corporate groups and institutional financial tenants on long, triple net leases, the Company intends to provide investors with an attractive, risk- adjusted combination of yield and capital appreciation.

Globalworth is internally managed, with all investment advisory and portfolio management services exclusively provided by Globalworth Investment Advisers Ltd (“GIAL”), a wholly owned subsidiary of the Company. Asset management services to the Company's real estate portfolio are provided by Globalworth Asset Managers (“GAM”), another wholly-owned subsidiary of Globalworth.

Assets or Companies in Which the Company can Invest

Investments made by the Company may take the form of, but are not limited to, single real estate assets, real estate portfolios and companies, joint ventures, loan portfolios and equity and debt instruments.

Strategy Through Which the Investing Policy is Achieved

The Company's strategy is to focus on acquiring underperforming or undervalued properties (due to financial distress, mismanagement or otherwise) and, through active asset management, to transform these into performing and marketable assets. Most of the current or expected income from these assets is derived from multinational corporate groups and institutional financial tenants on long, triple net and annually indexed leases.

Investment Approach

The Company assumes a proactive approach to every real estate investment in the Company's portfolio and pursues various asset management initiatives according to the most appropriate business plan for each investment. These initiatives may include: repositioning of existing assets (including re-letting, refurbishment or re-development); development of new assets, corporate restructuring and reorganisation; portfolio break-ups (for example, “wholesale” to “retail” trades); and optimising capital structure.

Holding Period for Investments

The typical holding period for any investment is expected to be five to seven years. The decision to exit a particular investment will be taken by the Company's Board of Directors (“the Board”) following the recommendation of the Investment Adviser, and may be less or greater than the expected holding period. Such a decision may result from a variety of factors, including the need to optimise the risk/return of the investment, responding to asset or market dynamics, or taking advantage of an unsolicited enquiry, but always with a view to ensuring that returns to shareholders are maximised.

Gearing and Cross Holdings Policies

The Company is permitted, directly or indirectly, to borrow for working capital, investment and any other purpose. Debt financing is expected to be an important component of the structuring and execution of the Company's investments, to improve returns for both developmental and income-generating assets. Borrowings may be undertaken by the Company itself or by any of its subsidiaries or project companies. The amount of leverage employed in respect of an investment is dependent on the nature of the opportunity, however, it is expected that the maximum loan-to-value for the Group will not exceed 60%.

Hedging Instruments

In connection with third party debt, the Company may enter into one or a series of interest rate hedging products (including, among others, swaps, caps, collars or options) to protect the returns of the relevant investment against adverse interest rate fluctuations. Although it is anticipated that all rentals and debt finance will be in Euro, the Company may also enter into one or a series of currency hedging instruments (including, among others, swaps, caps, collars or options) to protect the returns of the relevant investment against adverse currency fluctuations.

Investing Restrictions

Unless the Board (at its absolute discretion) approves otherwise, the Company will not acquire or invest in commercial properties which do not satisfy the minimum pre-letting commitment targets which are as follows:

- for any logistics or warehouse property, pre-letting commitments for a minimum of 60% of the gross leasable area of such property; and
- for any other commercial property, pre-letting commitments for minimum of 50% of the gross leasable area of such property. These above restrictions will not preclude the Company making investments in short-dated cash or near-cash equivalent securities, which form part of its cash management practices.

Nature of Returns That the Company Seeks to Deliver to Shareholders

To support shareholder dividends, the Directors anticipate that a sustainable cash flow will be generated through stable and recurring rental income, increased where appropriate through active asset management. The determination as to whether or not to reinvest some of the proceeds of the disposal of an asset, and the declaration of dividends, is at the absolute discretion of the Board. It is intended that not less than 90% of the Company's funds from operations will be distributed to shareholders of the Company on a semi-annual basis, subject to solvency or other legal requirements.

GLOSSARY

Adjusted EBITDA (normalised)

Earnings before finance cost, tax, depreciation, amortisation of other non-current assets, purchase gain on acquisition of subsidiaries, fair value movement, and other non-operational and/or non-recurring income and expense items.

Asset or Property

Represent the individual land plot or building under development or standing building which forms part or the entirety of an investment.

Bargain Purchase Gain

Any excess between the fair value of net assets acquired and consideration paid, in accordance with IFRS 3 “Business Combination”.

BREEAM

Building Research Establishment Assessment Method (“BREEAM”), which assesses the sustainability of the buildings against a range of criteria.

CAPEX

Represents the estimated Capital Expenditure to be incurred for the completion of the development projects.

Capitalisation Rates

Based on actual location, size and quality of the properties and taking into account market data at the valuation date.

CBD

Central Business District.

CEE

Central and Eastern Europe.

CIT

Corporate income tax.

Combined Portfolio

Includes the Group’s property investments consolidated on the balance sheet under Investment Property- Freehold as at 31 December 2021, plus those properties held as Joint Ventures (currently the lands relating to Chitila Logistics Hub and Constanta Business Park projects) presented at 100%.

Commercial Properties

Comprises the office, light-industrial and retail properties or areas of the portfolio.

Completed Investment Property

Completed developments consist of those properties that are in a condition which will allow the generation of cash flows from its rental.

Completion Dates

The date when the properties under development will be completed and ready to generate rental income after obtaining all necessary permits and approvals.

Contracted Rent

The annualised headline rent as at 31 December 2021 that is contracted on leases (including pre-leases) before any customary tenant incentive packages.

Debt Service Cover Ratio (“DSCR”)

It is calculated as net operating income for the year as defined in specific loan agreements with the respective lenders, divided by the principal plus interest due over the same year.

Discount Rates

The discount rate is the interest rate used to discount a stream of future cash flows to their present value.

Discounted Cash Flow Analysis (“DCF”)

Valuation method that implies income projections of the property for a discrete period of time, usually between 5-10 years. The DCF method involves the projection of a series of periodic cash flows either to an operating property or a development property. Discounted cash flow projections based on significant unobservable inputs taking into account the costs to complete and completion date.

Earnings Per Share (“EPS”)

Profit after tax divided by the basic/diluted weighted average number of shares in issue during the year.

EDGE

Excellence in Design for Greater Efficiencies (“EDGE”). An innovation of the International Finance Corporation (“IFC”), member of the World Bank Group, EDGE is a green building standard and a certification system for more than 160 countries.

EPRA

The European Public Real Estate Association is a non-profit association representing Europe’s publicly listed property companies.

EPRA Earnings

Profit after tax attributable to the equity holders of the Company, excluding investment property revaluation, gains, losses on investment property disposals and related tax adjustment for losses on disposals, bargain purchase gain on acquisition of subsidiaries, acquisition costs, changes in the fair value of financial instruments and associated close-out costs and the related deferred tax impact of adjustments made to profit after tax.

EPRA Earnings Per Share

EPRA Earnings divided by the basic or diluted number of shares outstanding at the year or period end.

EPRA Net Assets Value (“EPRA NAV”)

Net assets per the statement of financial position, excluding the mark-to-market on effective cash flow hedges and related debt adjustments and deferred taxation on revaluations excluding goodwill. This metric was used at year or period ends up to 31 December 2020.

EPRA Net Disposal Value (“EPRA NDV”)

The EPRA Net Disposal Value provides the reader with a scenario where deferred tax, financial instruments, and certain other adjustments are calculated as to the full extent of their liability, including tax exposure not reflected in the Balance Sheet, net of any resulting tax. This measure should not be viewed as a “liquidation NAV” because, in many cases, fair values do not represent liquidation values.

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EPRA Net Reinstatement Value (“EPRA NRV”)

The objective of the EPRA Net Reinstatement Value measure is to highlight the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value movements on financial derivatives and deferred taxes on property valuation surpluses are therefore excluded. Since the aim of the metric is to also reflect what would be needed to recreate the Company through the investment markets based on its current capital and financing structure, related costs such as real estate transfer taxes are included, as applicable.

EPRA Net Tangible Assets (“EPRA NTA”)

The underlying assumption behind the EPRA Net Tangible Assets calculation assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability.

EPRA NAV, EPRA NRV, EPRA NTA, EPRA NDV Per Share

EPRA NAV, or EPRA NRV, or EPRA NTA, or EPRA NDV divided by the diluted number of shares outstanding at the year or period end.

Estimated Rental Value (“ERV”)

ERV is the external valuers’ opinion as to the open market rent which, on the date of valuations, could reasonably be expected to be obtained on a new letting or rent review of a property.

Estimated Vacancy Rates

Represent vacancy rates computed based on current and expected future market conditions after expiry of any current lease.

EURIBOR

The Euro Interbank Offered Rate: the interest rate charged by one bank to another for lending money, often used as a reference rate in bank facilities.

Financial Year

Period from 1 January to 31 December.

FFO

Free funds from operations, estimated as the EPRA Earnings for the relevant period.

GLA

Gross leasable area.

IFRS

International Financial Reporting Standards as adopted by the European Union.

Interest Cover Ratio (“ICR”)

Calculated as net operating income divided by the debt service / interest.

Investment

Represent a location in which the Company owns / has interests in.

Land Bank for Further Development

Land bought for further development but for which the Group did not obtain all the legal documentations and authorisation permits in order to start the development process.

Leadership in Energy & Environmental Design (“LEED”)

LEED, a green building certification programme that recognises best-in-class building strategies and practices.

Loan-to-Cost Ratio (“LTC”)

Calculated by dividing the value of loan drawdowns by the total project cost.

Loan to Value (“LTV”)

Calculated as the total outstanding debt excluding amortised cost, less cash and cash equivalents as of financial position date, divided by the appraised value of owned assets as of the financial position date. both outstanding debt and the appraised value of owned assets include our share of these figures for joint ventures, which are accounted for in the consolidated financial statements under the equity method.

Maintenance Costs

Including necessary investments to maintain functionality of the property for its expected useful life.

Master Lease

Master lease, includes various rental guarantees, which range between 3 and 5 years, covering certain vacant spaces in certain properties owned in Poland.

MSCI

MSCI is an international finance company headquartered in New York City and listed on New York Stock Exchange and serves as a global provider of equity, fixed income, hedge fund stock market indexes, multi-asset portfolio analysis tools and ESG products. An MSCI ESG Rating is designed to measure a company’s resilience to long-term, industry material environmental, social and governance (“ESG”) risks.

NBP

National bank of Poland.

Net Assets Value (“NAV”)

Equity attributable to shareholders of the Company and/or net assets value.

Net Asset Value (“NAV”) Per Share

Equity attributable to owners of the Company divided by the number of ordinary shares in issue at the period end.

Net Operating Income (“NOI”)

Net operating income (being the gross operating income less operating expenses that are not paid by or rechargeable to tenants, excluding funding costs, depreciation and capital expenditure).

Occupancy Rate

The estimated let sqm (GLA) as a percentage of the total estimated total sqm (GLA) of the portfolio, excluding development properties and in certain cases (where applicable) spaces subject to asset management (where they have been taken back for refurbishment and are not available to let as of the financial position date).

GLOSSARY CONTINUED

Open Market Value (“OMV” or “GAV”)

Open market value means the fair value of the Group’s investment properties and the Joint ventures (where the Group owns 50%) determined by Colliers Valuation and Advisory SRL (“Colliers”), Cushman & Wakefield LLP (C&W), Knight Frank Sp. z o.o (“Knight Frank”) and CBRE Sp. z o.o. (“CBRE”) independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, using recognised valuation techniques.

Passing Rent

It is the gross rent, less any ground rent payable under the head leases.

Property Under Development

Properties that are in development process that do not meet all the requirements to be transferred to completed investment property.

RCF

Revolving Credit Facility.

Residual Value Method

Valuation method that estimated the difference between the market value of the building upon completion that can be built on the plot of land and all the building’s construction costs, as well as the developer’s profit. This method relies on the contribution concept by estimating from the future income of the building, the amount that can be distributed to the land.

ROBOR

Romanian Interbank Offer Rate.

Sales Comparison Approach

Valuation method that compares the subject property with quoted prices of similar properties in the same or similar location.

SPA

Share sale purchase agreement.

SQM

Square metres.

The Company or the Group

Globalworth Real Estate Investments Limited and its subsidiaries.

The Investment Adviser

Globalworth Investment Advisers Limited, a wholly owned holding subsidiary incorporated in Guernsey.

Total Accounting Return

Total accounting return is the growth in EPRA NRV per share plus dividends paid, expressed as a percentage of EPRA NRV per share at the beginning of the year.

Total Unencumbered Assets Ratio

Calculated as the Unsecured Consolidated Total Assets divided by Unsecured Consolidated Total Indebtedness.

Unsecured Consolidated Total Assets

Means such amount of Consolidated Total Assets that is not subject to any Security granted by any subsidiary of the Group.

Unsecured Consolidated Total Indebtedness

Means the Consolidated Total Indebtedness less Secured Consolidated Total Indebtedness.

WALL

Represents the remaining weighted average lease length of the contracted leases as of the financial position date, until the lease contracts full expiration.

Weighted Average Interest Rate

The average of the interest rate charged on the Group’s loans, weighted by the relative outstanding balance of each loan at the year or period end.

WIBOR

Warsaw Interbank Offered Rate.

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* Wholly owned subsidiary of the Company.

