City Living PCC Limited

Annual Report and Audited Consolidated Financial Statements

For the year ended 31 December 2021

City Living PCC Limited
Annual Report and Audited Consolidated Financial Statements
For the year ended 31 December 2021

Table of Contents

Officers and Professional Advisers

Directors
Mr. Paul Duquemin
Dr. Katrina Tarizzo

Investment Committee
Mr. Paul Duquemin
Dr. Katrina Tarizzo
Mr. Mike White

Registered Office
Ground Floor
Dorey Court
Admiral Park
St Peter Port
Guernsey GY1 2HT

Designated Administrator, Manager and Secretary to the Fund
Guernsey:
JTC Fund Solutions (Guernsey) Limited
Ground Floor
Dorey Court
Admiral Park
St Peter Port
Guernsey GY1 2HT

Luxembourg:
JTC Signes S.a.r.l RCS
Bijou 17 Boulevard F.W. Raiffeisen
L-2411 Luxembourg

Auditors to the Fund
Grant Thornton Limited
Lefebvre House
Lefebvre Street
St Peter Port
Guernsey GY1 3TF

Designated Custodian
Butterfield Bank (Guernsey) Limited
Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY1 3AP

Investment Adviser and Administrator
Skarbiec Holding S.A.
Al. Armii Ludowej 26
00-695 Warszawa

Fund Manager
Skarbiec TFI S.A.
Al. Armii Ludowej 26
00-695 Warszawa

Legal Adviser on Guernsey Law
Mourant
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey GY1 4HP

Sponsor (The International Stock Exchange listing)
Mourant Securities Limited
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey GY1 4HP

Advisers on Polish Law
Allen & Overy A Pedzich Sp k
Grzybowska 56
00-844 Warsaw

Custodian (Local Polish Fund)
mBank SA
(member of Commerzbank Group)
Ul. Senatorska 18
Warsaw 00-950

Group Summary

The Company

City Living PCC Limited was established as a protected cell company on 13 June 2005 and is governed by the provisions of the Companies (Guernsey) Law, 2008, and subsequent amendments. City Living PCC Limited (the "Company" or the "Fund") changed its name from City Life PCC Limited with effect from 4 November 2019. The Company comprises of a core and the Poland Geared Growth Cell ("the Cell"). The cell has been authorised by the Guernsey Financial Services Commission ("GFSC") as a Class B Scheme under The Authorised Collective Investment Schemes (Class B) Rules and Guidance, 2021, and is the only cell applicable throughout the reporting period.

Objective

The Cell provides a listed, debt-geared, diversified exposure to the Polish residential and commercial property markets through the acquisition of property in Poland's cities with the investment objective of generating rental income and long-term capital growth.

Management

The roles and duties of management are carried out by the Board, its advisers and/or the Designated Administrator (as appropriate).

Capital Structure

On incorporation, the authorised capital of the Cell was GBP 50,100 divided into 100 Management Shares of GBP 0.0001 each and 500,999,900 Unclassified Shares of GBP 0.0001 each. Unclassified Shares may be issued as Redeemable Ordinary Shares of any Cell of the Group or as Nominal Shares. All issued Shares are in Registered form.

The Core's two Management Shares in issue were issued at par and are registered in the name of Dr Katrina Tarizzo.

TISE Listing

The Cell was initially admitted to the official list of the Channel Islands Stock Exchange ("CISX") on 2 June 2006. An initial application was made for the listing of up to 25 million Shares of the Poland Geared Growth cell by way of an offer for subscription. On 20 July 2007, an application was made, and accepted, for the listing of an additional 25 million shares on CISX. On 20 December 2013, the listing transferred over to the Channel Islands Securities Exchange ("CISE"). On 6 March 2017, the CISE was re-branded as The International Stock Exchange ("TISE").

Directors' Statement

Dear Shareholders

The Fund's strategic focus on providing quality residential lettings, primarily direct to tenant occupiers, allows the portfolio to generate rental income whilst also benefitting from capital growth in the underlying property market, the latter of which has been particularly strong during 2021 adding PLN 10.7m to the value of the property portfolio. Additionally, the Fund continues to seek out development opportunities and post-completion, retains a proportion of each development to further expand the residential letting portfolio. During the year under review, the Fund has completed the sales of the Rejtana project, and once the required fit-out has shortly been completed, the retained units should be added to the residential letting portfolio. The Fund has also committed to purchasing a new plot of land at Szaserow, a prime residential location within Warsaw that it intends to develop.

Improving the performance of service providers and cost cutting where possible continues to be a significant focus and the Fund recently moved the Polish accounting to a new service provider which has improved both the quality of the service and reduced the overall cost. The Directors are also progressing their plan to streamline the corporate structure within Poland by reducing the number of Polish operating companies and ultimately removing the Fizan (Polish investment fund), which will significantly reduce the local running costs. Cost cutting operations are continuing into 2022 and will continue going forwards.

The impact of COVID-19, whilst still of concern for much of 2021, had already been largely mitigated by the previous decision of the Fund to reduce its exposure to the Apart-hotel sector and an increased focus on letting directly to the end tenant. All apartments removed from the Apart-hotel contracts were successfully let in a timely manner.

During 2021, the Fund was required to continue paying quarterly capital and interest payments on both the loans from Raffeissen Bank International AG (RBI) and Santander (Bank Zachodni WBK S.A). The RBI loan had been expected to be a 'revolving credit facility', but a change of policy at RBI has forced the Fund to commit to repaying the remainder of the facility outstanding in a relatively short period of time and this was financed by new loans taken at the Guernsey level as well as limited asset sales in Jesionowa and Arkada. The Santander loan has also been reduced and matures at the end of 2022 though Santander have since granted an extension to 1 April 2023.

The Fund was also successful in reducing the size of its Redemption queue over the period, revoking approximately 2.2m shares from the redemption queue. As important next steps, the Fund is seeking a longer-term refinancing strategy within Poland and is working with several brokers to this end. Financing costs in Poland have increased significantly during 2022 due to higher lending rates and the fact that lenders require borrowers to pay for interest rate swaps to hedge against rising interest rates, resulting in borrowing costs in excess of 10% per annum. Such high debt costs will constrain the levels of new debt available to the Fund as lending is based on multiples of the rental income rather than loan to value. The Polish debt market remains difficult with very few products available for buy-to-let residential assets.

The Fund is in late stage negotiations with a Polish bank to refinance the Santander loan collateralised with Platinum Towers apartments once it matures and would expect this transaction to be closed by year end.

The Fund has also been focusing on raising liquidity in order to make an offer to all those shareholders who wish to make their shares available for sale. As such, the Fund has signed a binding conditional offer with a Jersey based strategic fund partner. The offer will comprise an offer to acquire ordinary shares from any shareholder who wishes to sell at the offer price. The offer also includes an injection of new capital via the issue of preference shares, these preference shares will also be available to ordinary shareholders at the issue price to be decided. The issue of two million pounds of preference shares requires that the special resolution be passed by shareholders in order that the articles of the company may be amended to accommodate the new class of preference shares. The Directors have sought indications of support for the proposed changes from the largest corporate shareholders of the Fund to ensure shareholder backing prior to commencing work on this project. The liquidity from the issuance of preference shares is expected to be used to reduce loans and contribute towards the restructuring costs of removing the Fizan and further consolidation of the Polish operating companies. The conditions to the offer include; that the strategic partner must acquire more than 50% of the total voting rights of the Fund and the issuance of the actual number of preference shares will be at the discretion of the Directors. Furthermore. The offer is also conditional on customary closing conditions and regulatory approval. The Directors have informed the regulator of the details of the offer and as of now, there are no known material objections to the offer proceeding. The Directors are expecting this offer be made to shareholders early in November together with a notification of an EGM. Then subject to the passing of special resolutions at the EGM to close approximately four weeks thereafter.

The Directors will also continue to generate any further liquidity as required from sales of its development assets as such assets progress through the development cycle as well as from selling individual units where prices match expectations. Rental increases generally across the market are being implemented to try to reflect inflation increases in Poland.

Finally, the Directors would like to thank all shareholders for their continued support and patience, and they wish to assure shareholders that their best interests remain, as always, at the forefront of the Board's strategy.

Dr Katrina Tarizzo Director	Mr Paul Duquemin Director
31 October 2022	31 October 2022

Board of Directors

Mr Paul Duquemin (Chairman)

Mr Duquemin is currently Branch Manager for the Guernsey office of BNP Paribas. He has more than 30 years' experience in financial services, mostly in fund development and administration with Rothschild Asset Management, BISYS Fund Services, JTC Group and BNP Paribas, where he has held leadership positions throughout. He is a Chartered Director and a Fellow of the Institute of Directors and has previously held a number of directorships of offshore funds and companies. Mr Duquemin is a Guernsey resident.

Dr Katrina Tarizzo

Dr Katrina Tarizzo PhD currently acts as a Chair, Non-Executive and Executive Director and shareholder for several companies involved in financial services and real estate sectors. She has developed several overseas equities and listed real estate funds, a specialty chemicals business with its production site in Poland as well as an internet based container shipping business. She is a Doctoral graduate of the London Business School and has a wealth of international business experience. She was a founding Director of The Share Centre, an FCA regulated retail stockbroker now listed on AIM; a founding Director and shareholder of Johnson Fry Privatisations (now part of Legg Mason) involved in IPOs for the UK and French Government privatisations and a Director of Connaught St. Michaels Registrars Limited which subsequently became part of Capital IRG. Dr Tarizzo is a UK resident.

Directors' Report

The Directors present the Annual Report and Audited Consolidated Financial Statements of City Living PCC Limited (the "Company" or the "Fund"), Poland Geared Growth Cell (the "Cell") together with its subsidiaries (the "Group") for the year ended 31 December 2021.

Incorporation

The Company was incorporated in Guernsey, with a Company registration number of 43271, on 13 June 2005 and commenced operations on 27 March 2006.

Principal activity

The Cell provides a listed, debt-geared, diversified exposure to the Polish residential and commercial property markets through the acquisition of property in Poland's cities with the investment objective of generating rental income and long-term capital growth. The investment strategy reflects the many economic and demographic changes occurring in Poland that should, in the Investment Adviser's view, drive up property prices and underpin rental yields. The Cell was listed on the Channel Islands Stock Exchange ("CISX") on 2 June 2006. On 20 December 2013, the listing transferred over to the Channel Islands Securities Exchange ("CISE"). On 6 March 2017, the CISE was re-branded as The International Stock Exchange ("TISE").

Results and dividends

The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 12.

A review of the activities, performance and outlook for the Group is included in the Directors' Statement on page 3.

The Directors have not declared a dividend in the current year (2020: nil).

Listing requirements

Throughout the accounting period, the Cell complied with the conditions set out in TISE Rules for Companies.

Going concern

The Directors consider that the going concern basis is appropriate for the Group and as such these Consolidated Financial Statements have been prepared on this basis.

The Directors have prepared a cash flow forecast for the Group for a period of 12 months from signing these Consolidated Financial Statements.

The Group's principal source of revenue is rental income from residential property units in the major cities of Poland (over 50% in Warsaw) and sales of development assets. The Group's principal outgoings are operating costs of the residential property units, development costs of new units, servicing of bank debt and costs incurred in running the Group. If cash resources are insufficient to cover all outgoings, then individual units are sold to cover any shortfall, as proved historically. As a capital growth fund, the Group aims to make a return through growth in the value of the underlying property assets rather than through excess revenue over outgoings and asset sales of individual units that form part of the normal course of business.

The Fund is in late stage negotiations with a Polish bank to refinance the Santander loan collateralised with Platinum Towers apartments once it matures and would expect this transaction to be closed by year end.

The Fund has also been focusing on raising liquidity in order to make an offer to all those shareholders who wish to make their shares available for sale. As such, the Fund has signed a binding conditional offer with a Jersey based strategic fund partner. The offer will comprise an offer to acquire ordinary shares from any shareholder who wishes to sell at the offer price. The offer also includes an injection of new capital via the issue of preference shares, these preference shares will also be available to ordinary shareholders at the issue price to be decided. The issue of two million pounds of preference shares requires that the special resolution be passed by shareholders in order that the articles of the company may be amended to accommodate the new class of preference shares. The Directors have sought indications of support for the proposed changes from the largest corporate shareholders of the Fund to ensure shareholder backing prior to commencing work on this project. The liquidity from the issuance of preference shares is expected to be used to reduce loans and contribute towards the restructuring costs of removing the Fizan and further consolidation of the Polish operating companies. The conditions to the offer include; that the strategic partner must acquire more than 50% of the total voting rights of the Fund and the issuance of the actual number of preference shares will be at the discretion of the Directors. Furthermore. The offer is also conditional on customary closing conditions and regulatory approval. The Directors have informed the regulator of the details of the offer and as of now, there are no known material objections to the offer proceeding. The Directors are expecting this offer be made to shareholders early in November together with a notification of an EGM. Then subject to the passing of special resolutions at the EGM to close approximately four weeks thereafter.

This, coupled with the repayment of the RBI, BOS and Getin loans, continued cost reductions and some asset sales, provide coverage of the Fund's costs. Furthermore, the continuing impact of the COVID-19 pandemic and new geo-political risks associated with the conflict in Ukraine have not, to date, had any material impact on the Fund's ability to rent out assets or make asset sales. As part of the Group's going concern assessment, the Directors have undertaken various cash flow modelling scenarios and conclude that the mitigations available to the Group allow it to meet all obligations and expenses as they fall due over the course of the next 12 months. .

The Directors, therefore, believe that there are currently no material uncertainties in relation to the Group's ability to continue for a period of at least 12 months from the date of signing these Consolidated Financial Statements.

Directors

The Directors during the year and to date were as stated on page 1.

No person shall be or become incapable of being appointed as a Director by reason of having attained the age of 70 or any other age and no Director will be required to vacate his office at any time by reason of the fact that he has attained the age of 70 or any other age.

Directors' fees

During the year the Directors received remuneration in the form of fees as stated in note 10.

There are no direct service contracts in existence between the Group and any of the Directors. There is, however, a service contract in place with Tarizzo Limited. Dr Katrina Tarizzo is a director and the main shareholder of Tarizzo Limited. Dr Tarizzo consequently provides services to the Group on behalf of Tarizzo Limited. The fees payable to Tarizzo Limited in terms of the service contract are detailed in note 32.

Directors' interests
Dr Katrina Tarizzo indirectly owns 119,742 (2020: 119,742) Redeemable Ordinary Shares of the Poland Geared Growth Cell. Mr Duquemin holds no direct or indirect ownership interests in the Poland Geared Growth Cell.

Directors' Report (continued)

Corporate Governance
It is the Group's policy to follow best practice on good corporate governance applicable to the Group in line with the Code of Corporate Governance, issued by the GFSC.

Foreign Account Tax Compliance Act ("FATCA") and Common Reporting Standards ("CRS")
The States of Guernsey has affected legislation enforcing various Intergovernmental Agreements to exchange tax account information with other jurisdictions. The Foreign Account Tax Compliance Act ("FATCA") and a similar style agreement between the United Kingdom and its Crown Dependencies and Overseas Territories (so called 'UK FATCA' or 'CDOT') became effective on 1 July 2014 in Guernsey. UK FATCA was replaced by CRS on 1 January 2016. The legislation is aimed at determining the ownership of assets of financial accounts by foreign tax residents and improving tax compliance with respect to those assets. The Board has determined that the Company is a Non-Financial Foreign Entity ("NFFE") under these regulations. As such, whilst the Company has no obligation to report upon its accounts, it is from time to time required to provide certifications on its status under FATCA and CRS to other Financial Institutions in order that they might attend to their own reporting obligations. The Board understands that they will be obliged to continually review and monitor the entity in accordance with the regimes and ensure that their classification remains appropriate.

Alternative Investment Fund Managers Directive ("AIFMD")
The AIFMD, which was implemented across the EU on 22 July 2013 with a transition period ended 22 July 2014, aims to harmonise the regulation of Alternative Investment Fund Managers ("AIFMs") and imposes obligations on managers who manage or distribute Alternative Investment Funds ("AIFs") in the EU or who market shares in such funds to EU investors.

The Company is classified as a Non-EU Alternative Investment Fund ("Non-EU AIF") under AIFMD. The Company is self-managing and therefore also acts as its own AIFM. However, by virtue of its size, the Company is deemed sub-threshold and is therefore exempt from the provisions of the AIFMD.

Post balance sheet events
The Fund has signed a binding conditional offer with a Jersey based strategic fund partner. The offer will comprise an offer to acquire ordinary shares from any shareholder who wishes to sell at the offer price. The offer also includes an injection of new capital via the issue of preference shares, these preference shares will also be available to ordinary shareholders at the issue price to be decided. The issue of two million pounds of preference shares requires that the special resolution be passed by shareholders in order that the articles of the company may be amended to accommodate the new class of preference shares. The Directors have sought indications of support for the proposed changes from the largest corporate shareholders of the Fund to ensure shareholder backing prior to commencing work on this project. The liquidity from the issuance of preference shares is expected to be used to reduce loans and contribute towards the restructuring costs of removing the Fizan and further consolidation of the Polish operating companies. The conditions to the offer include; that the strategic partner must acquire more than 50% of the total voting rights of the Fund and the issuance of the actual number of preference shares will be at the discretion of the Directors. Furthermore. The offer is also conditional on customary closing conditions and regulatory approval. The Directors have informed the regulator of the details of the offer and as of now, there are no known material objections to the offer proceeding. The Directors are expecting this offer be made to shareholders early in November together with a notification of an EGM. Then subject to the passing of special resolutions at the EGM to close approximately four weeks thereafter.

Since 31 December 2021, the Company has repaid all of the outstanding debt due to Raiffeisen Bank International AG (GBP 2,023,033), Getin Noble Bank S.A. (GBP 99,193) and repaid a further PLN 3,237,853 towards the outstanding balance with Bank Zachodni WBK S.A.

Further drawdowns of the loan facility with HNW Lending were made in February, HNW3 (GBP 880,000) and April, HNW 4 (GBP 820,000).

In addition, a number of sales have been made from Platinum Towers (7 units) GBP 1,106,536, Jesionowa (4 units) GBP 429,788 and Arkada (15 units) GBP 1,140,226.

Auditors
Grant Thornton Limited was reappointed as independent auditors for the year ended 31 December 2021. Grant Thornton Limited indicated their willingness to remain in office therefore a resolution to re-appoint Grant Thornton Limited will be put to the members at the next Annual General Meeting.

By order of the Board 31 October 2022

Dr Katrina Tarizzo
Director

Mr Paul Duquemin
Director

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Consolidated Financial Statements in accordance with applicable Guernsey Law and generally accepted accounting principles.

The Companies (Guernsey) Law, 2008 (the "Law") requires the Directors to prepare Consolidated Financial Statements for each financial period which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. Under the Law, the Directors have elected to prepare the Consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union "EU".

In preparing those 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 the Consolidated Financial Statements have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the Consolidated Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and which enable them to ensure that the Consolidated Financial Statements have been properly prepared in accordance with the Law and The Authorised Collective Investment Schemes (Class B) Rules and Guidance, 2021. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors have elected to prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and applicable law.

Statement of disclosure to the auditor

The Directors confirm that so far as they are aware, there is no relevant audit information of which the Group's auditor is unaware and each Director has taken all of the steps that they ought to have taken, to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Custodian's Report

For the year ended 31 December 2021

In our capacity as Custodian to the Cell, we confirm that, in our opinion, the Board, its advisers and/or the Designated Administrator (as appropriate) having taken on the roles and duties of the Principal Manager themselves, have managed the Cell during the year ended 31 December 2021 in accordance with the provisions of the principal documents of the Cell and with The Authorised Collective Investment Schemes (Class B) Rules and Guidance, 2021 and no material breaches have occurred. Butterfield Bank (Guernsey) Limited gave 90 days' notice to terminate our position as Designated Custodian to City Living PCC Limited on 27 August 2019; our position will remain until a replacement has been found and the Commission has formally varied the Scheme's authorisation under The Protection of Investors (Bailiwick of Guernsey) Law, 2020 as amended ("the Law").

Butterfield Bank (Guernsey) Limited
Regency Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 3AP

31 October 2022

Independent auditor's report
To the members of City Living PCC Limited

Opinion

We have audited the Consolidated Financial Statements of City Living PCC Limited and its subsidiaries (the "Group") for the year ended 31 December 2021, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Change in Net Assets Attributable to Holders of Redeemable Ordinary Shares, the Consolidated Statement of Cash Flows and Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU").

In our opinion, the Group's Consolidated Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- are in accordance with IFRSs as adopted by the EU; and
- comply with The Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. 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 ethical requirements that are relevant to our audit of the consolidated financial statements in Guernsey, including the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 judgement, 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.

Key Audit Matter	How our scope addressed the matter	Our result
Valuation of investment properties (2021: £19.18 million and 2020: £22.17 million) including those classified as non-current assets held for sale (2021: £0.01 million and 2020: £0.02 million) 95% (2020: 94%) of the carrying value of the Group's total assets, consist of investment properties (including those classified as held for sale) which are valued using different valuation techniques, as described in Notes 3.1, 3.5, 18 and 20 to the Consolidated Financial Statements. The Group holds its assets in a property portfolio under City Living Polska FIZAN and a number of holding companies. The investment properties are carried at fair value as determined by independent valuation specialists using valuation techniques with significant unobservable inputs. This is an area that requires significant judgement and as such, there is a risk of an inappropriate estimate being reported. The valuations are subjective, with a high level of judgement and estimation linked to the determination of the values. As a result, there is a risk of an inappropriate valuation model being applied, together with the risk of inappropriate inputs to the model/calculation being selected including the possible impact on the management fees. The valuation of the investment properties (including those classified as held for sale) is the key driver of the Group's net asset value and total return. Incorrect valuation could have a significant impact on the net asset value of the Group and therefore the return generated for shareholders.	Our audit procedures consisted of: • We updated our understanding of the Group's processes, policies and methodologies, including the use of industry specific measures, and policies for valuing investment properties (including those classified as held for sale) held by the Group and performed walkthrough tests to assess the design and implementation of key controls; • We obtained and inspected the independent appraisals regarding the investment properties, and supporting data to assess whether the data used is appropriate and relevant, and discussed these with management to evaluate whether the fair value of the investment properties is reasonably stated, challenging the assumptions made by management; • We agreed valuation inputs that do not require specialist knowledge of independent sources and tested the arithmetical accuracy of the Group's calculations; • On a sample basis, we engaged our own internal real estate valuation specialists to: o Use their knowledge of the market to assess and corroborate management's market related judgements and valuation inputs (i.e. discount rates, recent relevant transactions and comparable data, rental PSF, selling price PSF and buildable square foot) by reference to comparable transactions, and independently compiled databases/indices; o Assist us to determine whether the methodologies used to value investment properties were consistent with methods usually used by market participants for similar types of properties; and o Assist us in determining whether the Group's specialists were appropriately qualified and independent. • Report to the directors on the calibration of property valuations against our external audit expert's ranges; and • We determined if investment properties classified as held for sale met the measurement requirements of IFRS 5 *Non-current assets held for sale*, which are lower of carrying value and net realisable value.	We have not identified any matters to report to those charged with governance in relation to the valuation of investment properties and non-current assets held for sale.

Key Audit Matter	How our scope addressed the matter	Our result
Going Concern We are responsible for concluding 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 report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern. Refer to the Directors' Report, and Note 2.2 to the Consolidated Financial Statements for additional information.	Our audit procedures consisted of: • We obtained and reviewed the going concern assessment prepared by the Board of Directors and assessed that the assumptions made are appropriate; • We assessed the determination made by the Board of Directors, that the Group is a going concern and the appropriateness of the Group's Consolidated Financial Statements to be prepared on a going concern basis; • We obtained the cash flow forecasts prepared by management and tested the arithmetical accuracy of the models; • We held discussions with the Directors regarding the liquidity of the Group and plans to ensure the Group's ability to continue as a going concern; • We challenged the appropriateness of management's forecasts by assessing the appropriateness and completeness of management's assumptions which included the expectation of the possible impact of COVID-19, recoverability of future rental income, marketability of investment properties, ability to renegotiate existing financing and obtain future financing and obtained corroborative evidence to support forecasted cash flows; • We reverse stress tested management's key assumptions which included estimation uncertainty and challenged management on mitigating factors which would introduce additional cash flows into the Group; • In our reverse stress test, we noted individual events relating to cash inflows which held degrees of uncertainty, being a £2 million equity offer from a Jersey based strategic fund partner and the refinancing of the Santander loan in March 2023. We challenged management on the likelihood of the successful nature of each event through obtaining audit evidence such as correspondence with regulators, loan providers, and investors. We noted in a worst case scenario with neither event occurring, that the Group holds a portfolio of investment properties which could be realised in a reasonable timeframe to cover any potential cash shortfalls; and • We assessed the disclosures in the annual report and Consolidated Financial Statements relating to going concern, to ensure they were in compliance with IAS1.	Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. Our responsibilities and the responsibilities of the Directors concerning going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Audited Consolidated Financial Statements, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the consolidated financial statements or a material misstatement of the other information. 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company and the Group; or
- the Group's consolidated financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of directors for the consolidated financial statements

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the consolidated financial statements which give a true and fair view in accordance with IFRSs as adopted by the EU, 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, the 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.

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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Auditor's responsibilities for the audit of the consolidated financial statements (continued)
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Wynand Pretorius.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton Limited

Chartered Accountants

St Peter Port, Guernsey

Date: 31/10/2022

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 GBP	Year ended 31 December 2020 (As Restated)* GBP
Income			
Interest income		**384**	140
Rental income	11	**635,954**	899,536
Other income	12	**51,672**	323,213
Unrealised gain on investment properties			
- property under development	18a	**209,227**	4,170
- completed	18b	**1,816,414**	656,119
Gain on derivative financial liability	28	**25,647**	21,757
Unrealised gain on other foreign currency transactions		**85,107**	-
Total income		**2,824,405**	1,904,935
Expenditure			
Administration fees	5	**(152,697)**	(170,810)
Management fees	6	**(230,291)**	(276,983)
Custodian fees	8	**(22,500)**	(22,500)
Professional fees	9	**(197,788)**	(431,522)
Directors' fees and expenses	10	**(50,000)**	(50,000)
Property administration costs	13	**(245,953)**	(342,808)
Other expenses	14	**(780,535)**	(655,245)
Realised loss on disposal of completed investment property	18b	**(2,800)**	(640,306)
Unrealised loss on other foreign currency transactions		**-**	(276,668)
Total expenditure		**(1,682,564)**	(2,866,842)
Finance costs	15	**(315,052)**	(395,025)
Profit / (Loss) for the year before tax from continuing operations		**826,789**	(1,356,932)
Tax income / (expense)	17	**32,441**	(51,920)
Profit / (Loss) for the year after tax from continuing operations		**859,230**	(1,408,852)
Other comprehensive income (OCI)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising in the translation of foreign operations	2.7	**(1,002,300)**	(249,872)
Total other comprehensive loss		**(1,002,300)**	(249,872)
Total comprehensive loss for the year attributable to holders of Redeemable Ordinary Shares		**(143,070)**	(1,658,724)
- basic and diluted profit / (loss) per share (in pence)			
Poland Geared Growth Cell	16	**2.22**	(3.60)

Results for the year arise entirely from continuing operations.

The accompanying notes 1 to 36 form an integral part of these Consolidated Financial Statements

*Refer to note 2.4 for details

Consolidated Statement of Financial Position
As at 31 December 2021

	Notes	As at 31 December 2021 GBP	As at 31 December 2020 (As Restated)* GBP
Assets			
Non-current assets			
Investment property - under development	18a	**545,897**	3,285,140
Completed investment property	18b	**18,636,076**	18,886,043
Derivative financial receivable	28	**29,970**	-
		19,211,943	22,171,183
Current assets			
Advances related to investment property	19	**549,561**	300
Trade and other receivables	22	**233,748**	393,278
Cash and cash equivalents	23	**293,423**	1,011,334
		1,076,732	1,404,912
Non-current assets classified as held for sale	20	**13,739**	24,542
Total current assets		**1,090,471**	1,429,454
Total assets		**20,302,414**	23,600,637
Liabilities			
Current liabilities			
Trade and other payables	24	**(364,963)**	(1,564,225)
Deferred income		**(38,385)**	(247,765)
Bank loans	28	**(4,152,312)**	(5,079,583)
		(4,555,660)	(6,891,573)
Non-current liabilities			
Deferred tax	17	**(321,250)**	(392,774)
Trade and other payables	24	**(315,163)**	(108,779)
Bank loans	28	**(2,024,193)**	(2,954,562)
Derivative financial liability	28	**-**	(23,731)
		(2,660,606)	(3,479,846)
Total liabilities excluding net assets attributable to holders of Redeemable Ordinary Shares		**(7,216,266)**	(10,371,419)
Net assets attributable to holders of Redeemable Ordinary Shares		**(13,085,524)**	(13,228,594)
Total liabilities		**(20,301,790)**	(23,600,013)
Equity			
Nominal Shares	25	**(624)**	(624)
Total equity and liabilities		**(20,302,414)**	(23,600,637)
Net Asset Value per Redeemable Ordinary Share (pence per share)	26	**33.88**	34.25

The Consolidated Financial Statements on pages 16 to 40 were approved by the Board of Directors on 31 October 2022 and signed on behalf of the Board by:

Dr Katrina Tarizzo
Director

Mr Paul Duquemin
Director

The accompanying notes 1 to 36 form an integral part of these Consolidated Financial Statements.

*Refer to note 2.4 for details

Consolidated Statement of Change in Net Assets Attributable to Holders of Redeemable Ordinary Shares

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 GBP
Net assets attributable to the holders of Redeemable Ordinary Shares at the beginning of the year		**13,228,594**
Profit / (Loss) for the year		**859,230**
Other comprehensive income - exchange differences arising on translation of foreign operations		**(1,002,300)**
Total comprehensive loss for the year attributable to holders of Redeemable Ordinary Shares		**(143,070)**
Redemption of Redeemable Ordinary Shares issued	25	**-**
Net decrease from share transactions		**-**
Net assets attributable to the holders of Redeemable Ordinary Shares at the end of the year		**13,085,524**

	Note	Year ended 31 December 2020 GBP
Net assets attributable to the holders of Redeemable Ordinary Shares at the beginning of the year		15,463,717
Loss for the year (As previously Stated)		(1,156,393)
Restatement*		(252,459)
Loss for the year (As restated*)		(1,408,852)
Other comprehensive income - exchange differences arising on translation of foreign operations (As previously Stated)		(254,566)
Restatement*		4,694
Other comprehensive income - exchange differences arising on translation of foreign operations (As restated*)		(249,872)
Total comprehensive loss for the year attributable to holders of Redeemable Ordinary Shares		(1,658,724)
Redemption of Redeemable Ordinary Shares issued	25	(576,399)
Net decrease from share transactions		(576,399)
Net assets attributable to the holders of Redeemable Ordinary Shares at the end of the year		13,228,594

The accompanying notes 1 to 36 form an integral part of these Consolidated Financial Statements.

*Refer to note 2.4 for details

Consolidated Statement of Cash Flows
For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 GBP	Year ended 31 December 2020 (As Restated)* GBP
Profit / (Loss) for the year after tax from continuing operations		**859,230**	(1,408,852)
Adjustments for:			
Unrealised gain on investment property		**(2,025,641)**	(660,289)
Realised loss on the disposal of investment property		**2,800**	640,306
Gain on derivative financial liability		**(25,647)**	(21,757)
Movement in deferred income		**(209,380)**	247,765
Loan and bank interest paid		**285,392**	395,025
Amortisation of loan arrangement costs		**29,660**	-
Movement in deferred tax	17	**(32,441)**	51,920
(Gain) / Loss on other foreign currency transactions		**(85,107)**	276,668
Operating cash flows before movements in working capital		**(1,201,134)**	(479,214)
Working capital:			
Movement in trade and other receivables		**159,530**	1,634,194
Movement in trade and other payables		**(992,878)**	(418,104)
Net cash generated (used in) / from operating activities		**(2,034,482)**	736,786
Investment activities			
Advances in relation to investment property	19	**(549,261)**	-
Property under development - additions	18a	**(464,052)**	(1,413,285)
Completed investment property - additions	18b	**-**	(725,331)
Proceeds from sales of investment properties (completed and held for sale)	18b	**4,126,772**	2,966,070
Net cash generated from investment activities		**3,113,459**	827,454
Financing activities			
Payments on redemption of Redeemable Ordinary Shares	25	**-**	(576,399)
Loan interest paid	29	**(244,391)**	(233,533)
Loan arrangement costs	29	**(266,546)**	-
New loans obtained	29	**1,925,000**	1,828,236
Bank loans repaid	29	**(3,044,254)**	(4,848,080)
Net cash used in financing activities		**(1,630,191)**	(3,829,776)
Net increase / (decrease) in cash and cash equivalents		**(551,214)**	(2,265,446)
Cash and cash equivalents at the beginning of the year		**1,011,334**	4,770,154
Effects of foreign exchange rate changes		**(166,697)**	(1,493,374)
Cash and cash equivalents at the end of the year		**293,423**	1,011,334

The accompanying notes 1 to 36 form an integral part of these Consolidated Financial Statements.

*Refer to note 2.4 for details

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

1 CORPORATE INFORMATION

City Living PCC Limited is a Protected Cell Company in accordance with the provisions of the Companies (Guernsey) Law, 2008 as amended (the "Companies Law") incorporated in Guernsey. City Living PCC Limited (the Company or the "Fund") changed its name from City Life PCC Limited with effect from 4 November 2019. The address of the registered office is shown on page 1.

The assets of the Company can be either cellular assets or non-cellular assets. The assets attributable to a cell comprise assets represented by the proceeds of cell share capital, reserves and any other assets attributable to that cell. The non-cellular assets comprise the assets of the Company which are not cellular assets. Where a liability arises from a transaction in respect of a particular cell, and there are insufficient assets within this cell, there will be no recourse to the assets of any other cell, or the non-cellular assets.

The Company has one Cell, The Poland Geared Growth Cell (the "Cell"). The Cell provides a listed, debt-geared, diversified exposure to the Polish residential and commercial property markets through the acquisition of property in Poland's cities with the investment objective of generating rental income and long-term capital growth.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements (the "Financial Statements") have been prepared for the Company, being the Core and the Cell, and the Cell's subsidiaries (together with the Cell, known as the "Group") and have been prepared on the historical cost basis, except for investment property and derivative financial instrument which are carried at fair value, and non-current assets classified as held for sale which is carried at the lower of fair value less costs to sell and the carrying amount.

2.1 Basis of preparation

The Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") which comprise standards and interpretations issued by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Standing Interpretations approved by the IFRS Interpretations Committee that remain in effect and to the extent, they have been adopted by the European Union ("EU").

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Group's accounting policies.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and underlying assumptions are reviewed on an ongoing basis.

Judgements made by management in the application of IFRS that have a significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 3.

Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision only affects that year, or in the year of the revision and future years if the revision affects both current and future years.

2.2 Going concern

The Directors consider that the going concern basis is appropriate for the Group and as such these Financial Statements have been prepared in this basis.

The Directors have prepared a cash flow forecast for the Group for a period of 12 months from signing these Financial Statements.

The Group's principal source of revenue is rental income from residential property units in the major cities of Poland (over 50% in Warsaw) and sales of development assets. The Group's principal outgoings are operating costs of the residential property units, development costs of new units, servicing of bank debt and costs incurred in running the Group. If cash resources are insufficient to cover all outgoings, then individual units are sold to cover any shortfall, as proved historically. As a capital growth fund, the Group aims to make a return through growth in the value of the underlying property assets rather than through excess revenue over outgoings and asset sales of individual units that form part of the normal course of business.

The Fund is in late stage negotiations with a Polish bank to refinance the Santander loan collateralised with Platinum Towers apartments once it matures and would expect this transaction to be closed by year end.

The Fund has also been focusing on raising liquidity in order to make an offer to all those shareholders who wish to make their shares available for sale. As such, the Fund has signed a binding conditional offer with a Jersey based strategic fund partner. The offer will comprise an offer to acquire ordinary shares from any shareholder who wishes to sell at the offer price. The offer also includes an injection of new capital via the issue of preference shares, these preference shares will also be available to ordinary shareholders at the issue price to be decided. The issue of two million pounds of preference shares requires that the special resolution be passed by shareholders in order that the articles of the company may be amended to accommodate the new class of preference shares. The Directors have sought indications of support for the proposed changes from the largest corporate shareholders of the Fund to ensure shareholder backing prior to commencing work on this project. The liquidity from the issuance of preference shares is expected to be used to reduce loans and contribute towards the restructuring costs of removing the Fizan and further consolidation of the Polish operating companies. The conditions to the offer include; that the strategic partner must acquire more than 50% of the total voting rights of the Fund and the issuance of the actual number of preference shares will be at the discretion of the Directors. Furthermore. The offer is also conditional on customary closing conditions and regulatory approval. The Directors have informed the regulator of the details of the offer and as of now, there are no known material objections to the offer proceeding. The Directors are expecting this offer be made to shareholders early in November together with a notification of an EGM. Then subject to the passing of special resolutions at the EGM to close approximately four weeks thereafter.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Going concern (continued)

This, coupled with the repayment of the RBI, BOS and Getin loans, continued cost reductions and some asset sales, provide coverage of the Fund's costs. Furthermore, the continuing impact of the COVID-19 pandemic and new geo-political risks associated with the conflict in Ukraine have not, to date, had any material impact on the Fund's ability to rent out assets or make asset sales. As part of the Group's going concern assessment, the Directors have undertaken various cash flow modelling scenarios and conclude that the mitigations available to the Group allow it to meet all obligations and expenses as they fall due over the course of the next 12 months. .

The Directors, therefore, believe that there are currently no material uncertainties in relation to the Group's ability to continue for a period of at least 12 months from the date of signing these Consolidated Financial Statements.

2.3 Changes in accounting policies and disclosures

Application of new and revised IFRSs

Management have assessed all new standards and amendments to standards and interpretations that are effective for annual periods after 1 January 2021 and have deemed none to be material to the Group.

New and revised IFRSs in issue but not yet effective

There are no new standards issued but not yet effective that are expected to have a material effect on the Group.
The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

2.4 Prior period restatement

A prior year adjustment of £247,765 has been recognised to the opening retained earnings. This is as a result of a prior year adjustment in respect of the recognition of cash received in 2020. Cash received in 2020 was recognised as other income through the Consolidated Statement of Comprehensive Income, this has now been recognised as a deferred income liability in the Consolidated Statement of Financial Position. As a consequence, other income and the deferred income liability was overstated/understated.

The following table summarises the impact on the Group's consolidated financial statements:

	2020 As previously stated GBP	Correction GBP	2020 As restated GBP
Other income	575,672	(252,459)	323,213
Exchange differences arising on translation of foreign operations	(254,566)	4,694	(249,872)
Loss per Share (pence per share)	(2.95)	(0.65)	(3.60)
Deferred income liability	-	(247,765)	(247,765)
Net assets attributable to holders of Redeemable Ordinary Shares	(13,476,359)	247,765	(13,228,594)
Net Asset Value per Redeemable Ordinary Share (pence per share)	34.89	(0.64)	34.25

A reclassification has also been made in note 18 to the Financial Statements relating to prior year balances. The reclassification is between the brought forward cost and brought forward unrealised loss on completed investment property. Whilst this does not have an impact on the overall fair value of completed investment property, as at the current and prior year ends, and does not require any restatement to the Financial Statements, a matching adjustment to both the brought forward cost and brought forward opening unrealised loss on completed investment property has been made so as to align the balances with the underlying cost of the remaining assets in the portfolio.

2.5 Consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company, the Cell and entities controlled by the Cell (its subsidiaries) prepared for the year ended 31 December 2021. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date.

All of the Group companies have 31 December as their year-end. Financial Statements are prepared using uniform accounting policies for similar transactions.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where necessary, accounting policies of subsidiaries are changed to ensure consistency of accounting policies across the Group.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Consolidation (continued)

Details of the subsidiary undertakings which the Company held as at 31 December 2021 are as follows:

Name	Direct or holding	Country of or domicile	Principal activity	Proportion of shares and voting rights held
City Living Luxembourg Sàrl	Direct	Luxembourg	Investment holding	100%
City Living Polska FIZAN	Indirect	Poland	Investment fund	100%
City Living Polska Sp. z.o.o	Direct	Poland	Management Company	100%
City Living Development Polska Sp. z.o.o	Direct	Poland	Management Company	100%
City Living Polska 2 Sp. z.o.o	Indirect	Poland	Management Company	100%
OLH II Sp. z.o.o	Direct	Poland	Management Company	100%
City Living Polska 3 Sp. z.o.o	Indirect	Poland	Property investment	100%
City Living Polska Sp. z.o.o SKA 2	Indirect	Poland	Property investment	100%
OLH II Sp. z.o.o SKA 3	Indirect	Poland	Property investment	100%
OLH II Sp. z.o.o SKA 4	Indirect	Poland	Property investment	100%
City Living Polska Sp. z.o.o SKA 5	Indirect	Poland	Property investment	100%
City Living Polska Sp. z.o.o SKA 6	Indirect	Poland	Property investment	100%
City Living Polska Development Sp. z.o.o SKA	Indirect	Poland	Property investment	100%
City Living Polska Development Sp. z.o.o SKA 2	Indirect	Poland	Property investment	100%
City Living Polska Development Sp. z.o.o SKA 3	Indirect	Poland	Property investment	100%
City Living Polska Development Sp. z.o.o SKA 4	Indirect	Poland	Property investment	100%

2.6 Segment reporting

The Chief Operating Decision Maker, which is the Board, is of the opinion that the Group is engaged in a single segment of business, through its investment in its Subsidiaries, being investments in residential and commercial properties in Poland, with the aim of generating rental income and long-term capital growth. The financial information used by the Chief Operating Decision Maker to manage the Group presents the business as a single segment. Segment information is measured on the same basis as that used in the preparation of the Group's Financial Statements.

The Company receives no revenues from external customers. Other than the Subsidiaries, which are Luxembourg and Polish companies, the Company holds no non-current assets in any geographical area other than Guernsey.

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured in the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Statements are presented in Sterling ("GBP") which is also the Group's functional currency. Transactions denominated in foreign currencies are translated into GBP at the rate of exchange ruling at the date of the transaction. The functional currency of all the subsidiaries is Polish Zloty ("PLN").

(b) Foreign exchange

Monetary assets and liabilities are translated into Sterling at the rate of exchange ruling on the last day of the Group's financial period. Foreign currency transactions are translated at the rate of exchange ruling on the date of the transaction. Foreign exchange differences arising on translation are recognised in the Consolidated Statement of Comprehensive Income. Hedge accounting is not used.

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.

On consolidation the Financial Statements of foreign subsidiaries whose functional currency is not GBP are translated into GBP as follows: statement of financial position items are translated into GBP at the period end exchange rate; statement of income items are translated into GBP at the exchange rates applicable at the transaction dates or at the average exchange rates for the reporting period, as long as this is not rendered inappropriate as a basis for translation by major fluctuations in the exchange rate during the period; unrealised gains and losses arising from the translation of the Financial Statements of foreign subsidiaries are recorded under "Translation adjustment on foreign operations" in other comprehensive income to be reclassified to income. The cumulative gains and losses arising from the translation of the financial statements of foreign subsidiaries are reclassified to profit and loss on disposal or liquidation of foreign subsidiaries. The gains and losses on consolidation have no effect on the value of the underlying assets allocated to the individual Cell.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Rental Income

Rental income arising on investment properties is accounted for in profit or loss on a straight-line basis over the lease term, as adjusted for the following:

- Any rental income from fixed and minimum guaranteed rent review uplifts is recognised on a straight-line basis over the lease term;
- Lease incentives are spread evenly over the lease term, even if payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

Contingent rents, such as those arising from indexed-linked rent uplifts or market-based rent reviews, are recognised in the period in which they are earned.

Rental income is invoiced in advance with that element of invoiced rental income that relates to a future period being included within deferred rental income in the consolidated statement of financial position.

2.9 Other income

Other income in respect of other refunds and deferred other income is recognised in the profit or loss on an accruals basis.

2.10 Expenses

Expenses are recognised in the profit or loss on an accruals basis.

2.11 taxation

The Cell has applied for and gained tax exempt status in Guernsey. Current tax arising in jurisdictions other than Guernsey is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantially enacted. The Cell has subsidiary undertakings in Luxembourg and Poland.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income and expense that are taxable or deductible in other periods or that are never taxable or deductible.

Deferred tax is the tax arising on differences in the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each year end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the Consolidated Statement of Comprehensive Income.

2.12 Cash advances on investment properties

Properties in the course of construction for future rent, over which the Group does not yet hold title to, are accounted for as Advances Related to Investment Property, until the date that title passes to the Group, at which point they will become Investment Property and will be carried on the same basis as other Investment Property assets.

Cash advances on investment properties are carried at amortised cost, less any recognised impairment loss. Cost comprises all cash advances provided to the developers of each property project.

The Group has appointed WBP Doradztwo Nieruchomości, Acons, SGA Consulting and Home Consulting, as property valuers, to prepare valuations on a quarterly basis for the properties and developments held and these are used to ensure that any impairment is accounted for in advances on investment property.

An impairment review is undertaken on the advances on investment property by the Directors on a quarterly basis.

2.13 Investment property

Investment property comprises completed property and property under construction or re-development that is held to earn rentals or for capital appreciation or both.

(i) Completed Investment Properties - Properties which are fully developed, for which title is held and which are currently, or are ready to, earn rental income. These properties are valued on a market value basis. The valuation basis used are the open market comparison approach and the income approach.

(ii) Investment Property Under Development - Investment properties in the early stages of development are valued based on completed properties' market prices adjusted for future development costs reflecting the stage of completion. The advances for property where only land has been acquired are valued based on the market price for the land plots.

Investment property is initially measured at cost and subsequently at fair value, based on professional valuations, with any change therein recognised in profit or loss.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Investment property (continued)

Costs include expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss in the period in which they arise (see note 18 for further details).

2.14 Non-current assets held for sale

Non-current assets held for sale - Completed investment properties are transferred to and classified as non-current assets held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use and the Directors have announced to the market they intend to sell the property and in line with the requirements of IFRS 5, 'Non-current assets held for sale and discontinued operations' as set out below:

- The asset is available for immediate sale;
- The terms of asset sale must be usual and customary for sales of such assets;
- The sale must be highly probable;
- Management is committed to a plan to sell the asset;
- The asset must be actively marketed for a sale at a reasonable price in relation to its current fair value;
- The sale is expected to be completed within one year from classification date; and
- Sale transactions include exchanges of non-current assets for other non-current assets when the exchange has commercial substance in accordance with IAS 16, 'Property, Plant and Equipment';

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately as current items in the Consolidated Statement of Financial Position. On re-classification, investment property that is measured at fair value continues to be so measured in accordance with IAS 40 'Investment Property'.

2.15 Financial Instruments

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are derecognised if the Group's obligations, specified in the contract, expire or are discharged or cancelled. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire, are extinguished, or if the Group transfers the financial assets to a third party and transfers all the risks and rewards of ownership of the asset, or if the Group does not retain control of the asset and transfers substantially all the risk and rewards of ownership of the asset.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:
- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); or
- Fair value through profit or loss ("FVTPL").

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Group only has financial assets that are classified as amortised cost.

i) Financial assets held at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. These assets are subsequently measured at amortised cost using the effective interest method. The effective interest method calculates the amortised cost of financial instruments and allocates the interest over the life of the instrument using the effective interest rate.

The Group's financial assets held at amortised cost include trade and other receivables and cash and cash equivalents.

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets held at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ii) Financial liabilities held at amortised cost

Financial liabilities consist of payables and borrowings. The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics. All financial liabilities are initially measured at fair value, net of transaction costs. All financial liabilities are recorded on the date on which the Group becomes party to the contractual requirements of the financial liability. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of the financial liability and of allocating interest expense over the relevant period. 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, to the net carrying amount on initial recognition.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial Instruments (continued)

iii) Redeemable Ordinary Shares

In accordance with the revised IAS 32, Redeemable Ordinary Shares are required to be shown as liabilities rather than as part of Shareholders' funds, owing to the fact that holders of Redeemable Ordinary Shares are entitled to request a redemption of their holdings and that they are not the most subordinated share class, this being the Management Shares.

The liabilities arising from the Redeemable Ordinary Shares are carried at the redemption amount, being the Net Asset Value ("NAV") calculated in accordance with the prospectus, however redeemers may receive an amount that is below the Cell's NAV.

For the purpose of calculating the net assets attributable to Redeemable Ordinary Shareholders in accordance with the Cell redemption requirement, the Cell assets and liabilities are valued at a single price.

The Cell issues shares at the net asset value of the existing Redeemable Ordinary Shares. The holders of Redeemable Ordinary Shares can redeem them, in accordance with redemption requirements as set out in the Information Memorandum, for cash equal to the Cell's net asset value, except where assets are disposed of specifically to meet a redemption. In such a case, specific costs attributable to the necessary disposal may be deducted from the redemption proceeds payable and therefore redeemers may receive an amount less than the Cell's net asset value.

The Cell's NAV per Redeemable Ordinary Share is calculated by dividing the net assets attributable to Redeemable Ordinary Shareholders (calculated in accordance with redemption requirements as set out in the Information Memorandum) by the number of shares in issue.

2.16 Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand and short-term deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.17 Management Shares

The two Management Shares are non-redeemable and classified as equity.

2.18 Nominal Shares

The Nominal Shares are non-redeemable and classified as equity.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision only affects that year, or in the year of the revision and future years if the revision affects both current and future years. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3.1 Completed investment property and investment property under development

The Cell and/or Designated Administrator (as appropriate) engages the services of WBP Doradztwo Nieruchomości, Acons, SGA Consulting and Home Consulting for the Cell to assist in their assessment of the fair values of investment properties. All properties and developments are revalued on a quarterly basis by appropriately qualified, independent valuers. Valuations are prepared in accordance with the approved Appraisal and Valuation Standards. The valuation bases used are the open market comparison approach and the income approach. Any assumptions made by the valuer are reviewed by Skarbiec as the Investment Adviser for their reasonableness. See note 21 for further details of factors which the valuer takes into consideration during the valuation process.

3.2 Advances on investment property

The Group's main activity is the purchase of "off-plan" apartments and their subsequent rental as well as the development of land plots acquired by the Fund for a mix of sales and/or rental purposes. Such sales are undertaken primarily to repay construction debt and other related debt. The Group continually reviews the net realisable value of its advances on investment properties against the cumulative costs that are held on its Consolidated Statement of Financial Position. WBP Doradztwo Nieruchomości, Acons, SGA consulting and Home Consulting have been appointed as the valuation agents to assess the fair value of the properties on a quarterly basis.

3.3 VAT recoverability

Regulations regarding VAT are subject to frequent changes. These changes can result in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies. Tax may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is significantly greater in countries that have a less established taxation system. Tax settlements may become subject to inspection by tax authorities within a period of five years. Accordingly, the amounts shown in the Financial Statements may change at a later date as a result of the final decision of the tax authorities.

3.4 Income and deferred tax

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable income. Where the final outcome of these provisions is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made. See note 17 for further details.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

3.5 Estimation of net realisable value for non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Fair value less costs to sell is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Group, based on comparable transactions identified by the Group and using valuation models such as discounted cash flows where relevant.

On re-classification, completed investment property and investment property under development that is measured at fair value continues to be so measured in accordance with IAS 40 'Investment Property' as per 3.1 above.

4 CO-DISTRIBUTOR'S FEE AND PROMOTER'S FEE

The Co-distributor's fee is calculated as 0.5% of the subscription proceeds of the Cell, only where a Co-distributor has been appointed. During the year under review, no Co-distributor had been appointed.

For new subscriptions, a Promoter's fee of 0.5% is payable to Tarizzo Limited. If a co-promoter is appointed, the fee may increase by up to 0.85% of new subscriptions, such an additional amount up to 0.85% being due to the co-promoter. The Promoter's fee is payable by the Cell in the month following the relevant dealing date. A promoter's fee of 1.3% is also payable on all gearing loans and all funding from any other source, once committed but not necessarily draw down. Such fees are shared between Tarizzo Limited (0.3%) and the party introducing such funding which may or may not be Tarizzo Limited (1%), if any. For the year ended 31 December 2021, Tarizzo Limited was entitled to fees totalling GBP 29,488 (2020: GBP 12,715). A co-promoter has not been appointed during the year ended 31 December 2021.

5 ADMINISTRATION FEES

Under an Administration Agreement, the Administrator of the Cell is entitled to receive an annual administration fee from the Cell at a rate as may be agreed in writing from time to time between the Group and the Administrator. The fee is 0.2% per annum (2020: 0.2% per annum) of the NAV of the Fund up to GBP 50 million decreasing to 0.15% per annum (2020: 0.15% per annum) of the NAV of the Fund above GBP 50 million, subject to a minimum fee during the year of GBP 123,900 (2020: GBP 122,673) per annum plus disbursements. The above ongoing fees are subject to annual review and a minimum increase by the latest published Retail Price Index ("RPI") in Guernsey upon the anniversary date of the Administration Agreement. During the year JTC Fund Solutions (Guernsey) Limited received fees of GBP 124,252 (2020: GBP 123,121) of which GBP 61,950 is outstanding as at 31 December 2021 (2020: GBP 30,921).

The Administrator in Luxembourg is JTC Signes S.a.r.l who is entitled to receive GBP 27,600 (GBP 27,600) per annum, payable quarterly in advance, excluding VAT and out-of-pocket expenses, but including Directors fees. During the year JTC Signes S.a.r.l received fees of GBP 28,445 (2020: GBP 28,203) of which GBP nil was outstanding as at 31 December 2021 (2020: GBP nil).

For the year ended 31 December 2021, the total administration fees amounted to GBP 152,697 (2020: GBP 170,810). As at 31 December 2021, a total amount of GBP 77,562 is outstanding (2020: GBP 30,921).

The administrators are paid quarterly in arrears, except for JTC Signes S.a.r.l, as described above.

6 MANAGEMENT FEES

Tarizzo Limited, Skarbiec TFI S.A., who is the Fund Manager (Poland), and Skarbiec Holding S.A, the Polish Administrator, are entitled to receive payment of a management fee at a percentage of the Gross Asset Value ("GAV") of the Cell per quarter, calculated as at each dealing date. The management fee is split as follows:

	If GAV is less than GBP 30 Million	If GAV is greater than GBP 30 Million
Tarizzo Limited	0.21% of the GAV	0.19% of the GAV
Administrator / Fund Manager (Poland)	0.45% of the GAV	0.55% of the GAV

The management fee is subject to a minimum of GBP 150,000 per annum. For the year ended 31 December 2021, the total management fees amounted to GBP 230,291 (2020: GBP 276,983) of which GBP 46,379 is outstanding as at 31 December 2021 (2020: GBP 145,621).

During the year Skarbiec received administration and management fees of GBP 113,805 (2020: GBP 180,046).

7 PERFORMANCE FEES

The Investment Adviser is incentivised to maximise the returns to investors through the potential for the payment by the Cell of a performance fee calculated as 7% of the annual increase (if any) in the published NAV per share of the Cell in excess of the previous High Water Mark Net Asset Value ("HWM NAV") per share of the Cell. The performance fee will be adjusted for all relevant subscriptions and redemptions of ordinary shares, and calculated as at 30 September each year, accrued and payable annually one month after the calculation date. Any accrued performance fee will also be calculated and deducted from any proceeds of the redemption of shares.

The 7% performance fee is shared as follows: 2% to Tarizzo Limited and 5% to the Investment Adviser. There was no performance fee due for the year ended 31 December 2021 and 2020.

8 CUSTODIAN FEES

Butterfield Bank (Guernsey) Limited ("the Custodian"), was appointed as the Custodian on 1 May 2013 and receives a fee at a rate of 0.075% of the NAV of the portfolio per annum, subject to a minimum fee of GBP 22,500 per annum. For the year ended 31 December 2021, custodian fees amounted to GBP 22,500 (2020: GBP 22,500) of which GBP nil is outstanding as at 31 December 2021 (2020: GBP nil).

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

9 PROFESSIONAL FEES

	Year ended 31 December 2021 GBP	Year ended 31 December 2020 GBP
Valuation fees	45,215	44,699
Consulting services	-	165,188
Legal fees	66,713	112,864
Other professional fees	85,860	108,771
	197,788	431,522

10 DIRECTORS' FEES AND EXPENSES

The Directors are remunerated at a rate of GBP 25,000 per director, per annum (2020: GBP 25,000 per director, per annum). As at 31 December 2021, GBP nil (2020: GBP nil) directors' fees are outstanding. Directors' remuneration for the year is as follows:

	Year ended 31 December 2021 GBP	Year ended 31 December 2020 GBP
Directors' fees paid from the Cell:		
P Duquemin	**25,000**	25,000
K Tarizzo	**25,000**	25,000
	50,000	50,000

11 RENTAL INCOME

	Year ended 31 December 2021 GBP	Year ended 31 December 2020 GBP
Total rental income	**635,954**	899,536

At the reporting date the Cell had contracted with tenants for the following future lease payments:

	Year ended 31 December 2021 GBP	Year ended 31 December 2020 GBP
Within 1 year	**699,588**	778,314
Between 1 and 5 years	**2,558,896**	4,329,340
After 5 years	**93,821**	2,459,175
Total	**3,352,305**	7,566,829

Lease terms typically range from a few months to 8 years.

12 OTHER INCOME

	Year ended 31 December 2021 GBP	Year ended 31 December 2020 (As Restated) GBP
Recoveries	**43,539**	7,043
Release of VAT over provision	**-**	304,695
Insurance refund	**-**	3,310
Release of local tax over provision	**-**	4,309
Compensation for damages	**4,403**	3,555
Other income	**3,730**	301
	51,672	323,213

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

13 PROPERTY ADMINISTRATION COSTS

	Year ended 31 December 2021 GBP	Year ended 31 December 2020 GBP
Repairs and maintenance	**13,941**	59,446
Refurbishment expenses	**106,871**	124,354
Cleaning and gardening	**-**	680
Commission for rental and management	**91,305**	124,529
Parking fees	**11,299**	10,803
Energy consumption	**14,407**	12,259
Office rental	**7,710**	7,901
Heat energy consumption and water	**420**	1,118
Other	**-**	1,718
	245,953	342,808

14 OTHER EXPENSES

	Year ended 31 December 2021 GBP	Year ended 31 December 2020 GBP
Audit fee	**51,669**	46,500
Audit fee – prior year under provision	**-**	38,052
Accountancy fees	**129,683**	131,154
Advertising and printing	**9,319**	11,477
Insurance costs	**38,672**	43,815
Statutory fees	**2,299**	4,175
Bank charges	**33,342**	42,292
Irrecoverable VAT and other taxes	**80,181**	90,778
IC/IFA liaison fees	**87,500**	104,000
Consulting fees	**50,000**	50,000
Poland structure costs	**277,888**	47,163
Sundry expenses	**19,982**	45,839
	780,535	655,245

15 FINANCE COSTS

	Year ended 31 December 2021 GBP	Year ended 31 December 2020 GBP
SWAP interest	**-**	11,632
Loan interest – Getin Noble Bank S.A.	**11,698**	20,717
Loan interest – Raiffeisen Bank International AG	**121,113**	108,470
Loan interest – Bank Zachodni WBK S.A.	**85,633**	155,515
Loan interest – BOS Bank	**6,319**	-
Loan interest – HNW 1	**46,250**	-
Loan interest – HNW 2	**15,487**	-
Loan interest – Skarbiec for 5	**-**	98,691
Amoritisation of loan arrangement costs	**28,552**	-
	315,052	395,025

16 BASIC AND DILUTED LOSS PER SHARE (IN PENCE)

As there are no dilutive instruments outstanding, basic and dilutive profit per share are identical. The basic and diluted profit per Redeemable Ordinary Share for the Cell is based on the profit for the year of GBP 859,230 (2020 restated: loss GBP 1,408,852) and on 38,625,507.64 Redeemable Ordinary Shares (2020: 39,160,192.02), being the weighted average number of Redeemable Ordinary Shares in issue during the year.

17 TAXATION

The Group is an open-ended investment scheme and is therefore eligible to claim exemption from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance (Amendment), 1989. As such, the Group was only liable to pay a fixed annual fee, currently GBP 1,200.

Tax arises in Luxembourg in respect of the intermediate holding companies. This is limited to net wealth tax as losses were recognised for the period in those subsidiaries.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

17 TAXATION (continued)

The Cell's subsidiary, City Living Luxembourg S.à.r.l, a Group company domiciled in Luxembourg, will be liable for taxation in Luxembourg on any profits in relation to its investment in City Living Polska FIZAN to the extent that such profits are remitted to City Living PCC Limited. A proportion of such profits are subject to Luxembourg withholding tax, currently at a rate of 15%. For the year ended 31 December 2021 this taxation amounted to GBP nil (2020: GBP nil).

The components of the income tax expense for the years ended 31 December 2021 and 31 December 2021 are:

Consolidated Statement of Comprehensive Income	**2021** **GBP**	2020 GBP
Current tax:		
Current income tax charge	**-**	-
Deferred tax:		
Temporary differences in recognition of future disposals of properties at fair value	**(32,441)**	51,920
Income tax expense reported in the Statement of Comprehensive Income	**(32,441)**	51,920

Reconciliation of tax expense and the profit / (loss) for the year multiplied by Guernsey's domestic tax rate for 2021 and 2020:

	2021 **GBP**	2020 (As Restated) GBP
Profit / (loss) for the year before tax from continuing operations	**826,789**	(1,356,932)
At Guernsey's statutory income tax rate of 0% (2020: 0%)	**-**	-
Tax effect of temporary differences on recognition of future disposals of properties at fair value:	**(32,441)**	51,920
Income tax recognised in profit or loss	**(32,441)**	51,920

Deferred taxation
On 1 January 2014, a corporate income tax on limited joint stock partnerships of 19% was introduced in Poland. The Directors have therefore recognised a deferred tax liability on the tax which would be payable on future disposals of properties held at their fair values as at the reporting date. Deferred tax assets have been raised on temporary differences in the interest rate swap and the promissory notes.

	Consolidated Statement of Financial Position		**Consolidated Statement of Comprehensive Income**	
.	**2021** **GBP**	2020 GBP	**Year ended 31 December 2021** **GBP**	Year ended 31 December 2020 GBP
Deferred tax asset				
Fair value of interest rate SWAP	**-**	-	**-**	-
Interest on promissory notes	**-**	-	**-**	-
Deferred tax liability				
Revaluation of investment property to fair value	**(321,250)**	(392,774)	**(32,441)**	51,920
Net Deferred tax liability	**(321,250)**	(392,774)	**(32,441)**	51,920

A deferred tax asset has not been recognised in respect of the losses of the underlying Polish subsidiaries as the Board has considered and determined that there are no future taxable profits within the Polish subsidiaries against which to offset the losses.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

18 INVESTMENT PROPERTY

(a) Investment property - under development		2021 GBP	2020 GBP
Opening cost		**3,679,400**	2,327,163
Transfers to completed investment property (note 18b)		**(3,345,326)**	-
Additions		**464,052**	1,413,285
Other Adjustments		**(82,177)**	-
Revaluation at year end foreign exchange rate		**(170,071)**	(61,048)
Closing cost		**710,232**	3,679,400
Opening unrealised loss		**(394,260)**	(404,394)
Movement in unrealised loss		**209,227**	4,170
Revaluation at year end foreign exchange rate		**20,698**	5,964
Closing unrealised loss		**(164,335)**	(394,260)
Fair value		**545,897**	3,285,140
Property name	**City**		
Rejtana	Poznan	**-**	3,006,343
Spiska	Warsaw	**545,897**	278,797
Investment property - under development		**545,897**	3,285,140

(b) Completed investment property	2021 GBP
Opening cost	**18,899,920**
Transfers from investment property under development (note 18a)	**3,345,326**
Disposals proceeds	**(4,126,772)**
Realised losses	**(2,800)**
Other adjustments	**(109,172)**
Revaluation at year end foreign exchange rate	**(1,189,803)**
Closing cost	**16,816,699**
Opening unrealised loss	**10,665**
Movement in unrealised loss	**1,816,414**
Other adjustments	**1,158**
Revaluation at year end foreign exchange rate	**4,879**
Closing unrealized gain / (loss)	**1,833,116**
Less: Non-current assets held for sale (see note 20)	**(13,739)**
Fair value	**18,636,076**

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

18 INVESTMENT PROPERTY (Continued)

(b) Completed investment property	2020 GBP
Opening cost (As previously reported)	25,624,813
Restatement*	(3,507,141)
Opening cost (As restated)	22,117,672
Transfers from investment property under development (note 18a)	-
Additions	725,331
Disposals proceeds	(2,966,070)
Realised losses	(640,306)
Other adjustments	(7,695)
Revaluation at year end foreign exchange rate	(329,012)
Closing cost	18,899,920
Opening unrealised loss (As previously reported)	(4,203,172)
Restatement*	3,507,141
Opening unrealised loss (As restated)	(696,031)
Movement in unrealised loss	656,119
Revaluation at year end foreign exchange rate	50,577
Closing unrealized gain / (loss)	10,665
Less: Non-current assets held for sale (see note 20)	(24,542)
Fair value	18,886,043

* A reclassification has been made in the above note relating to prior year balances. The reclassification is between the brought forward cost and brought forward unrealised loss on completed investment property. Whilst this does not have an impact on the overall fair value of completed investment property, as at the current and prior year ends, and does not require any restatement to the Financial Statements, a matching adjustment to both the brought forward cost and brought forward opening unrealised loss on completed investment property has been made so as to align the balances with the underlying cost of the remaining assets in the portfolio.

Direct expenses incurred in relation to the investment properties that generated rental income during the year were GBP 245,953 (2020: GBP 342,808) (see note 13).

The fair value of investment property, amounting to GBP 19,195,712 (2020: GBP 22,195,725), has been categorised as Level 3 fair value, based on the inputs to the valuation techniques used (see note 21).

As at 31 December 2021 and 31 December 2020, part of the Group's immovable property is held as security for bank loans (see note 28).

19 ADVANCES RELATED TO INVESTMENT PROPERTY .

	2021 GBP	2020 GBP
Opening cost	**300**	305
Additions	**549,261**	-
Revaluation at year end foreign exchange rate	**-**	(5)
Closing cost	**549,561**	300

The total fair value of all the properties in notes 18 and 19, excluding completed investment property in note 18b, is GBP 545,897 at 31 December 2021 (2020: GBP 3,285,140).

Some of the above mentioned properties are apartment blocks, consequently, the anticipated purchase dates move as separate units are completed within that specific project.

Advances related to Investment property are measured at amortised cost but fair value approximates the carrying amount stated above.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

20 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2021 the Group announced the intended sale of the following properties and is actively marketing them for sale:

		2021		2020	
		Headline Price	**Assets**	Headline Price	Assets
Property name	City	**GBP**	**GBP**	GBP	GBP
ul. Płaskowickiej	Warsaw	**4,580**	**4,580**	14,725	14,725
Śląska / Bratnia	Warsaw	**9,159**	**9,159**	9,817	9,817
		13,739	**13,739**	24,542	24,542

As at 31 December 2021 no deposits are held for any of the assets held for resale (2020: GBP 0).

As at 31 December 2021 there are liabilities of GBP Nil directly associated with the assets classified as held for resale (2020: GBP 1,767).

Assets sold during 2021 incurred a realised loss of GBP Nil (2020: GBP 640,306). Assets held for sale as at 31 December 2021 are expected to be sold during the course of 2022.

21 FAIR VALUE OF ASSETS AND LIABILITIES

Fair value hierarchy

IFRS 13 "Fair Value Measurement" requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following table shows investment properties recognised at fair value, categorised between those whose fair value is based on:

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

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgement by the Group. The Group considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table shows how financial assets and non-financial assets measured at fair value are classified as per the fair value hierarchy as at 31 December 2021:

As at 31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	GBP	**GBP**	**GBP**	**GBP**
Investment property - under development	**-**	**-**	**545,897**	**545,897**
Completed investment property	**-**	**-**	**18,636,076**	**18,636,076**
Derivative financial asset	**-**	**29,970**	**-**	**29,970**
	-	**29,970**	**19,181,973**	**19,211,943**

As at 31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	GBP	**GBP**	**GBP**	**GBP**
Investment property - under development	-	-	3,285,140	3,285,140
Completed investment property	-	-	18,886,043	18,886,043
Derivative financial liability	-	(23,731)	-	(23,731)
	-	**(23,731)**	**22,171,183**	**22,147,452**

Valuation techniques

Investment property - under development

The fair value of investment property is determined by WBP Doradztwo Nieruchomości, Acons, SGA Consulting and Home Consulting using recognised valuation techniques. Investment property under development is valued using market comparable data (price per square metre) adjusted for future development costs reflecting the stage of completion. The valuation technique used has not changed from the prior year. The fair value of investment property under development is included within Level 3.

Completed investment property

The fair value of completed investment property is determined by WBP Doradztwo Nieruchomości, Acons, SGA Consulting and Home Consulting using recognised valuation techniques. Completed investment property is valued using market comparable data (price per square metre). The valuation technique used has not changed from the prior year. The fair value of completed investment property under development is included within Level 3.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

21 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Assets classified as held for sale
Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The fair value of assets classified as held for sale is determined by WBP Doradztwo Nieruchomości, Acons, SGA Consulting and Home Consulting using recognised valuation techniques. Assets classified as held for sale are valued using market comparable data (price per square metre). The valuation technique used has not changed from the prior year. The fair value of assets classified as held for sale is included within Level 3.

Interest rate swap
The interest rate swap has been valued by reference to third party quotes and is therefore included within level 2.

Valuation process for Level 3 valuations
Valuations are the responsibility of the Board of Directors.

The Investment Adviser engages the services of WBP Doradztwo Nieruchomości, Acons, SGA Consulting and Home Consulting for the Cell to assist in their assessment of the fair values of investment properties. All properties and developments are revalued on a quarterly basis by appropriately qualified, independent valuers. Valuations are prepared in accordance with the approved Appraisal and Valuation Standards. The valuation bases used are the open market comparison and the market income approaches. Any assumptions made by the valuer are reviewed by the Cell and/or the Designated Administrator (as appropriate) for their reasonableness.

Quantitative information of significant unobservable inputs - Level 3
The following table details the valuation techniques and unobservable inputs made in determining the Level 3 valuations:

As at 31 December 2021	2021 GBP	Valuation technique	Unobservable inputs	Range
Investment property - under development	**545,897**	**market comparable data**	**price per square metre**	**7,900-9600 zł/m2**
Completed investment property	**18,636,076**	**market comparable data**	**price per square metre**	**4699-24691 zł/m2**
Assets classified as held for sale	**13,739**	**market comparable data**	**price per square metre**	**6890-23856 zł/m2**

Under the market comparable method, a property's fair value is estimated based on comparable transactions.

Sensitivity analysis to significant changes in unobservable inputs within Level hierarchy*
The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2021 are as shown below:

Description	Input	Sensitivity Used	Increase / Decrease on Fair value GBP
Investment property - under development	**price per sqm**	**10%**	54,590
Completed investment property	**price per sqm**	**10%**	1,863,608
Assets classified as held for sale	**price per sqm**	**10%**	1,374

* The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value.

Level 3 reconciliation
The Directors have re-assessed the investment properties valued at fair value for the year ended 31 December 2021 and have determined that the level classification during the year is an accurate representation of the investment properties and consequently, no transfers between levels of the fair value hierarchy are deemed to have occurred from the beginning to the end of the reporting period. The following table shows a reconciliation of all movements in the fair value of investment properties categorised within Level 3 between the beginning and the end of the reporting period:

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

21 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Level 3 reconciliation (continued)

2021	Property under development GBP	Completed investment property GBP	Assets classified as held for sale GBP	Total GBP
Balance at 1 January 2021	**3,285,140**	**18,886,043**	**24,542**	**22,195,725**
Total gains and (losses):				
-realised	**-**	**(2,800)**	**-**	**(2,800)**
-unrealised from fair value adjustments	**209,227**	**1,816,414**	**-**	**2,025,641**
-currency translation difference in OCI	**(149,373)**	**(1,184,924)**	**-**	**(1,334,297)**
Purchases at cost	**464,052**	**-**	**-**	**464,052**
Sales – proceeds	**-**	**(4,126,772)**	**-**	**(4,126,772)**
Other adjustments	**82,177**	**(97,211)**	**(10,803)**	**(25,837)**
Transfers (to)/from assets held for sale	**(2,677,038)**	**2,677,038**	**-**	**-**
Balance at 31 December 2021	**545,897**	**18,636,076**	**13,739**	**19,195,712**

2020	Property under development GBP	Completed investment property GBP	Assets classified as held for sale GBP	Total GBP
Balance at 1 January 2020	1,922,769	19,611,184	1,810,457	23,344,410
Total gains and (losses):				
-realised	-	-	(640,306)	(640,306)
-unrealised from fair value adjustments	4,170	(158,966)	815,085	660,289
-currency translation difference in OCI	(55,084)	(284,716)	6,280	(333,520)
Purchases at cost	1,413,285	725,331	-	2,138,616
Sales – proceeds	-	-	(2,966,071)	(2,966,071)
Other adjustments	-	-	(7,693)	(7,693)
Transfers (to)/from assets held for sale	-	(1,006,790)	1,006,790	-
Balance at 31 December 2020	3,285,140	18,886,043	24,542	22,195,725

22 TRADE AND OTHER RECEIVABLES

	2021 GBP	2020 GBP
Tax recoverable	**-**	1,026
VAT receivable	**7,479**	128,446
Lease receivables	**-**	54,509
Prepayments	**16,864**	47,885
Management fee receivable	**-**	5,673
Sundry debtors	**209,405**	155,739
Total due in less than one year	**233,748**	393,278

It was assessed that all of the receivables are expected to be recovered. There are no differences between the carrying values and their fair values.

23 CASH AND CASH EQUIVALENTS

	2021 GBP	2020 GBP
Cash at bank	**293,423**	1,011,334
	293,423	1,011,334

The Group's cash and cash equivalents comprise cash in bank. The listing above reconciles the cash and cash equivalents as shown in the consolidated statement of financial position and the consolidated statement of cash flows.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

24 TRADE AND OTHER PAYABLES

	2021 GBP	2020 GBP
Vat provision - due in less than one year*	**-**	68,056
Legal cost	**8,638**	22,994
Administration fee payable	**47,999**	30,921
Accounting fee payable	**8,918**	26,488
Property administration costs payable	**1,803**	-
Management fee payable	**46,379**	145,621
Advances payable	**77,562**	696,253
Accrued liabilities	**-**	186,076
Income tax	**8,711**	1,595
Audit fee payable	**49,802**	70,526
Sundry creditors	**115,151**	315,698
Total due in less than one year	**364,963**	1,564,228
Vat provision - due in greater than one year*	**(6,087)**	-
Sundry creditors - due in greater than one year	**321,250**	108,779
Total due in greater than one year	**315,163**	108,779
	680,126	1,673,007

* During 2020 the Group sold apartments to companies that may be liable for VAT, as such there is the possibility that Polish output VAT may be due. A provision of GBP 68,056 was raised in 2020 as a result, there is no such provision for 2021.

It was assessed that all of the remaining payables are expected to be paid. There are no differences between the carrying values and their fair values.

25 SHARE CAPITAL AND PREMIUM

City Living PCC Limited	Company 2021 Shares	Company 2020 Shares	Company 2021 GBP	Company 2020 GBP
Authorised share capital				
Management Shares of £0.0001 par value	**100**	100	**-**	-
Redeemable Ordinary Shares of £0.0001 par value	**500,999,900**	500,999,900	**50,100**	50,100
	501,000,000	501,000,000	**50,100**	50,100

Issued and fully paid **Redeemable Ordinary Shares**	Cell 2021 Shares	Cell 2020 Shares	Cell 2021 GBP	Cell 2020 GBP
Opening Balance	**38,625,507.64**	41,723,282.24	**4,173**	4,173
Issued during the year	**-**	-	**-**	-
Redeemed during the year	**-**	(3,097,774.60)	**-**	(310)
Closing Balance	**38,625,507.64**	38,625,507.64	**3,863**	3,863
Non cellular Shares				
Management Shares issued and fully paid 2 shares of £0.0001 par value	**2**	**2**	**-**	**-**

Share premium	Cell 2021 GBP	Cell 2020 GBP
Opening Balance	**49,945,299**	50,521,389
Issued during the year	**-**	-
Redeemed during the year	**-**	(576,090)
Closing Balance	**49,945,299**	49,945,299

Nominal Shares

	Cell 2021 Shares	Cell 2020 Shares	Cell 2021 GBP	Cell 2020 GBP
Opening Balance	**6,239,543.48**	3,141,768.88	**314**	314
Issued during the year	**-**	-	**-**	-
Redeemed during the year	**-**	3,097,774.60	**310**	310
Net Position	**6,239,543,48**	**6,239,543.48**	624	624

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

25 SHARE CAPITAL AND PREMIUM (CONTINUED)

Management Shares

The Management Shares have been created so that Redeemable Ordinary Shares may be issued. The Management Shares are not redeemable, carry one vote each and do not carry any right to dividends. Assets not attributable to the Cell, will constitute the non-cellular assets of the Cell for the purposes of the Company. In any winding-up the surplus of non-cellular assets shall be distributed among the holders of Management Shares pro rata to their respective holdings. As a result of the above the Management Shares have been classified as equity.

Redeemable Ordinary Shares

The Redeemable Ordinary Shares carry the right to dividends as determined by the Cell in a general meeting. Each holder of Redeemable Ordinary Shares is entitled on a poll to one vote for each Redeemable Ordinary Share held. Assets attributable to any cell will constitute the cellular assets of such cell for the purposes of the Companies Law. In any winding-up, the cellular assets available for distribution shall be applied in repayment of the nominal amount paid up firstly on Redeemable Ordinary Shares and secondly on Nominal Shares issued in respect of the cell in question. Any surplus of cellular assets then remaining shall be distributed among the holders of Redeemable Ordinary Shares of each Cell in question pro rata to their respective holdings in such Cell. A fraction of a Redeemable Ordinary Share in a cell will rank pari passu and proportionately with a whole Redeemable Ordinary Share. Redeemable Ordinary Shares may be offered in respect of one or more cells.

Nominal Shares

The Nominal Shares can only be issued at par to the Designated Administrator. Each holder of Nominal Shares is entitled to one vote only, irrespective of the number of Nominal Shares held. The Nominal Shares carry no right to dividends. In any winding-up, a holder of Nominal Shares has the right to repayment only of paid-up capital after repayment of the paid-up capital on the Redeemable Ordinary Shares.

The Designated Administrator intends to subscribe for Nominal Shares for cash at par when Redeemable Ordinary Shares are redeemed to ensure that funds are available to redeem the nominal amount paid-up on each Redeemable Ordinary Share, unless the Directors of the Company decide that the nominal amount of such Redeemable Ordinary Shares are to be redeemed out of Company profits. Nominal Shares issued for the purpose of redemption of Redeemable Ordinary Shares of a particular cell shall constitute shares in such cell and the proceeds of issue shall constitute cellular assets of such cell. Nominal Shares in respect of a particular cell may be converted into Redeemable Ordinary Shares of that cell by the Designated Administrator for sale to investors. Such conversion may take place on any dealing date. There will be no right to such conversion if the determination of the NAV for the relevant cell has been suspended in respect of that dealing date.

26 NET ASSET VALUE PER REDEEMABLE ORDINARY SHARE

The NAV per Redeemable Ordinary Share for the Cell is based on the NAV as at the reporting date of GBP 13,043,808 (31 December 2020: GBP 13,476,359) and on 38,625,507.64 (31 December 2020: 38,625,507.64) Redeemable Ordinary Shares being the number of Ordinary Shares in issue at the end of the year.

27 FINANCIAL INSTRUMENTS AND RISK PROFILE

The Group holds cash and liquid resources as well as receivables and payables that arise directly from its operations. The Group's investment activities expose it to various types of risk associated with the property market. The main risks arising from the Group's financial instruments are liquidity risk, credit risk, currency exchange risk interest rate risk and price risk. Investing in Eastern Europe also brings political and economic risks. The Directors regularly review and agree policies for managing each of these risks and these are summarised below.

Liquidity risk

Liquidity risk is defined as "the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities".

For information on the Fund's investment property sales and development as well as how the Directors have been managing the liquidity of the Fund during the year and post year end, the Directors have given careful consideration to the current cash flow position and financial viability of the Group. Taking all matters into consideration, they have concluded that the cash requirements of the Group as a whole will be met over the foreseeable future, therefore enabling the Group to continue as a going concern.

Undiscounted Contractual Maturity Analysis (including estimated interest payments)

Consolidated - as at 31 December 2021	Carrying Amount GBP	Contractual Total GBP	Less than 6 months GBP	6 to 12 months GBP	Greater than 12 months GBP
Financial Assets					
Trade and other receivables (excluding prepayments and tax recoverable)	216,884	216,884	216,884	-	-
Cash and cash equivalents	293,423	293,423	293,423	-	-
	510,307	510,307	510,307	-	-
Financial Liabilities					
Trade and other payables	(680,126)	(680,126)	(211,845)	(153,118)	(315,163)
Loans payable	(6,176,505)	(6,413,391)	(2,023,033)	(2,358,552)	(2,031,806)
	(6,856,631)	(7,093,517)	(2,234,878)	(2,511,670)	(2,346,969)
Net Position	(6,346,324)	(6,583,210)	(1,724,571)	(2,511,670)	(2,346,969)

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

27 FINANCIAL INSTRUMENTS AND RISK PROFILE (CONTINUED)

Consolidated - as at 31 December 2020	Carrying Amount GBP	Contractual Total GBP	Less than 6 months GBP	6 to 12 months GBP	Greater than 12 months GBP
Financial Assets					
Trade and other receivables (excluding prepayments)	344,367	344,367	344,367	-	-
Cash and cash equivalents	1,011,334	1,011,334	1,011,334	-	-
	1,355,701	1,355,701	1,355,701	-	-
Financial Liabilities					
Trade and other payables	(1,617,365)	(1,617,365)	(1,323,605)	(184,981)	(108,779)
Loans payable	(8,034,145)	(8,333,533)	(2,031,669)	(3,227,230)	(3,076,634)
	(9,651,510)	(9,950,898)	(3,355,274)	(3,412,211)	(3,185,413)
Net Position	(8,295,809)	(8,595,197)	(1,999,573)	(3,412,211)	(3,185,413)

Market risk

Market risk is defined as "the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in variables such as equity price, interest rate and foreign currency rate".

The Group's investment properties are subject to normal market fluctuations and there can be no assurance that no depreciation in the value of those investments will occur. There can be no guarantee that any realisation of an investment property will be on a basis that necessarily reflects the Group's valuation of that investment property for the purposes of calculating the NAV of the Group (see note 21).

Changes in industry conditions, competition, political and diplomatic events, tax, environmental and other laws and other factors, whether affecting Poland alone or other countries and regions more widely, can substantially and either adversely or favourably affect the value of the properties in which the Group invests and, therefore, the Group's performance and prospects.

The Group's market price risk is managed by holding a spread of real estate across different cities in Poland with a range of different tenants renting the various properties on varying lease terms. The directors also diversify bank loan risk such that bank loans are secured on separate real estate assets with no cross collateralisation across the group. The Investment Manager considers each investment property purchase to ensure that an acquisition will enable the Group to continue to have an appropriate spread of market risk and that an appropriate risk/reward profile is maintained.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. In the event of default by a developer such that it was unable to complete the development within the contracted purchase cost or timeframe, then the Cell may lose some or all of its deposits and instalments payments paid to the developers which could materially damage the value of the NAV per Share. In an attempt to mitigate concentration risk, all developments have been brought under the control of the Group with third party developers no longer being involved.

A significant percentage of the investment portfolio is now rented out to tenants, there is a risk that the Cell will suffer a rental income shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting properties. In order to mitigate this risk, the properties are let out to rental companies which possess a suitable market presence, experience and reputation. As such, there is no one tenant or rental company responsible for paying a significant percentage of the rental income, although the Investment Adviser will continue to monitor the situation with the assistance of the rental companies.

In respect of credit risk arising from other financial assets and liabilities, which mainly comprise cash and cash equivalents, exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments. In order to mitigate such risks, cash is maintained with major international financial institutions. During the year and at the reporting date the Group maintained relationships with the following financial institutions:

	Moody's Rating	2021 GBP	2020 GBP
Royal Bank of Scotland	**P-1**	**-**	10,643
Butterfield Bank	**P-2**	**153,756**	-
Bank Pekao	**P-1**	**20,945**	89,581
mBank (formerly BRE Bank SA)	**P-1**	**752**	3,288
Getin Noble Bank S.A.	**Not Prime**	**18,120**	24,042
BOŚ Bank	**Not Rated**	**2,853**	689,543
BGL BNP Paribas	**P-1**	**3,620**	3,839
Santander Bank Polska S.A.	**P-1**	**93,377**	190,398
		293,423	1,011,334

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

27 FINANCIAL INSTRUMENTS AND RISK PROFILE (CONTINUED)

Credit risk (continued)
Credit risk is managed on a local and group basis and structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties. Such risks are subject to at least an annual review. The Group has policies in place to ensure that where possible rental contracts are made with customers with an appropriate credit history. Cash transactions are limited to high-credit-quality financial institutions. BOŚ Bank has not been rated by Moody's, however it has a BB- rating as per Finch's grading scale. The table above shows the balance of the major counterparties.

Trade and other receivables comprise part of the financial assets and the Board has determined the maximum credit risk exposure is the carrying amount in the Consolidated Statement of Financial Position.

The above amounts are deemed to be of sufficient credit quality, are neither past due nor impaired and are deemed to be fully recoverable.

Currency risk
Currency risk is the risk that cash flows and fair values can be affected by currency translation movements. The table below summarises the Group's exposure to particular foreign currencies.

As at 31 December 2021

	Euro GBP	**Polish Zloty GBP**	**Total GBP**
Financial Assets			
Trade and other receivables	**-**	**254,884**	**254,884**
Derivative financial asset	**-**	**29,970**	**29,970**
Cash and cash equivalents	**-**	**139,666**	**139,666**
Financial Liabilities			
Trade and other payables	**-**	**(772,771)**	**(772,771)**
Loans payable	**(2,023,033)**	**(2,457,745)**	**(4,480,778)**
	(2,023,033)	**(2,805,996)**	**(4,829,029)**

As at 31 December 2020

	Euro GBP	Polish Zloty GBP	Total GBP
Financial Assets			
Trade and other receivables	21,486	370,044	391,530
Cash and cash equivalents	1	1,000,690	1,000,691
Financial Liabilities			
Trade and other payables	-	(1,862,207)	(1,862,207)
Derivative financial liability	-	(23,731)	(23,731)
Loans payable	(3,624,212)	(4,409,933)	(8,034,145)
	(3,602,725)	(4,925,137)	(8,527,862)

The Directors consider the risk of foreign exchange exposure in the underlying subsidiaries to be minimal as the underlying transaction costs and revenues are based on the functional currency of that subsidiary. The Cell NAV is exposed to foreign exchange on the re-translation of property values from Polish Zloty to Sterling. It should be noted that fluctuations in the Polish Zloty to Sterling rate can lead to increases in volatility in the net asset value of the Cell.

Due to the restricted liquidity available to the Cell, the Board deems that the currency risk is one which the Cell is currently unable to adequately mitigate, as to do so, would negatively impact performance from a liquidity perspective.

The sensitivity analysis below is based on a change in one variable while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated – for example, changes in interest rates and changes in foreign currency rates. The sensitivity analysis prepared by management for foreign currency risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

27 FINANCIAL INSTRUMENTS AND RISK PROFILE (CONTINUED)

Currency risk (continued)

If the Sterling weakened/strengthened by 10% against the currencies below, with all other variables held constant, net assets attributable to Holders of Redeemable Ordinary Shares at the year end would have increased/decreased respectively by the amounts disclosed below:

	10% Decrease		10% Increase	
	Group 2021 GBP	Group 2020 GBP	**Group 2021 GBP**	Group 2020 GBP
Euro	**202,303**	360,273	**(202,303)**	(360,273)
Polish Zloty	**280,600**	492,514	**(280,600)**	(492,514)
	482,903	852,787	**(482,903)**	(852,787)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. As explained in note 28, the Group has entered into an interest rate swap with Bank Zachodni WBK S.A. to exchange an element of the variable rate of its loan with a fixed rate.

The amount charged to profit or loss for loan and bank interest paid for the year ended 31 December 2021 is GBP 288,204 (2020: GBP 395,025).

An increase of 1 per cent in interest yields would result in a decrease in the net assets attributable to holders of Redeemable Ordinary Shares at the year end of GBP 61,765 (2020: GBP 80,341). A decrease of 1 per cent in interest yields would result in an increase in net assets attributable to holders of Redeemable Ordinary Shares for the year of GBP 61,765 (2020: GBP 80,341).

The interest rates of the Group's financial liabilities are as follows:

As at 31 December 2021

	Floating rate	**GBP amount**	**Effective Interest rate**
Bank Loans			
Bank Zachodni WBK S.A.	**3 month deposit WIBOR + 2,8%**	**2,358,552**	**5.35%**
Getin Noble Bank S.A.	**3 month deposit WIBOR + 3%**	**109,438**	**3.24%**
Raiffeisen Bank International AG	**EURIBOR (floor @ zero) + 3%**	**2,023,033**	**9.20%**
HNW Loan 1	**18% fixed**	**929,625**	**22.58%**
HNW Loan 2	**15% Fixed**	**1,003,316**	**16.77%**

As at 31 December 2020

	Floating rate	GBP amount	Effective Interest rate
Bank Loans			
Bank Zachodni WBK S.A.	WIBOR 0.21% + 2.8% margin	2,635,309	5.35%
Bank Ochrony Środowiska S.A.	3 month WIBOR + 3% fixed	1,325,561	3.21%
Getin Noble Bank S.A.	3 month WIBOR + 3% fixed	449,063	3.21%
Raiffeisen Bank International AG	1 month EURIBOR rate + 3%	3,624,212	3.00%

*As explained in note 28, the 2.55% fixed rate element of this loan is resulting from the interest rate swap held by the Group.

Price risk

Price Risk is the risk that the fair value or cash flow of a financial instrument will fluctuate due to changes in market prices. As at 31 December 2021 and 2020, the Group was not exposed to price risk as substantially all of its investments are in property.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

28 BANK LOANS

	2021	2020
	GBP	GBP
Due in less than one year:		
Bank Zachodni WBK S.A.	**2,358,552**	106,477
Bank Ochrony Środowiska S.A.	**-**	1,325,561
Getin Noble Bank S.A.	**-**	23,333
Raiffeisen Bank International AG	**2,023,033**	3,624,212
HNW Loan 1	**4,625**	-
HNW Loan 2	**2,988**	-
	4,389,198	5,079,583
Due in more than one year:		
Bank Zachodni WBK S.A.	**-**	2,528,832
Getin Noble Bank S.A.	**99,193**	425,730
HNW Loan 1	**925,000**	-
HNW Loan 2	**1,000,000**	-
	2,024,193	2,954,562
Loan arrangement costs	**(236,886)**	-
	6,176,505	8,034,145

Interest rates of the Group's bank loans are disclosed within the interest rate risk section of note 27.

Bank Zachodni WBK S.A.

City Living Polska Sp Z.o.o SKA 6 has a loan payable for a maximum of GBP 2,358,552 (PLN 12,875,100) (2020: maximum of GBP 2,634,327 (PLN 13,417,420) less a bank provision of GBP 2,171 (PLN 11,849)). This amount was drawn down in one tranche of the full amount, and it shall be repaid in full by 31 December 2022.

Security for this loan is by way of the following:
- Mortgage over the borrower's real estate to the amount of GBP 4,232,446 (PLN 23,104,500);
- Financial and registered pledges over the borrower's shares;
- mortgage over the hedging interests to the amount GBP 412,171;
- A civil and registered pledge over City Living Polska Sp Z o.o.'s general partner's rights;
- A pledge of the borrower's bank accounts in favour of the bank; and
- The borrower's submission for execution in favour of the bank.

A repayment of GBP 145,128 was made during the year ended 31 December 2021.

As at 31 December 2021, the fair value of collateral for this loan is GBP 7,527,322 (PLN 41,010,900) (2020: GBP 8,174,061 (PLN 41,010,900)).

Raiffeisen Bank International AG

During the year ended 31 December 2019, Raiffeisen Bank International AG granted a revolving loan facility of up to GBP 3,364,341 (EUR 4,000,000) to City Living Polska FIZAN. This amount was fully drawn down in one tranche on 31 December 2019, and it shall be repaid in full by 14 October 2021.

Security for this loan is by way of the following:
- Collateral cover value shall be a minimum of 200% of the loan capital outstanding in value of the shares of OLH II sp z.o.o 3 SKA and OLH II sp z.o.o 4 SKA;
- Registered and financial pledge over all shares of OLH II sp z.o.o 3 SKA and OLH II sp z.o.o 4 SKA;
- Registered and financial pledge over all shares of OLH II Sp. z.o.o. and

Repayment have been made as follows; EUR 400 000,00 on 14 January 2021, EUR 300 000,00 on 14 April 2021, EUR 300 000,00 20 14 July 2021.

Getin Noble Bank S.A.

City Living Polska 2 Sp Z.o.o 1 S.K.A has a loan payable for a maximum of GBP 439,649 (PLN 2,400,000). This amount was drawn down in one tranche of the full amount, and it shall be repaid in full by 19 December 2029.

Security for this loan is by way of the following:
- Mortgage over the borrower's real estate to the amount of GBP 879,298 (PLN 4,080,000);
- Power of attorney to all borrower's accounts;
- Blank promissory note;
- A declaration in the form of a notarial deed on voluntary submission to enforcement up to the amount of GBP 879,298 (PLN 4,800,000);
- Pledge of the borrower's bank accounts in favour of the Bank;
- Financial and registered pledges over the borrower's shares; and
- Submission of an instruction to withdraw funds from the loan for the Debt Service provision in the amount of 3 principal and interest instalments.

A repayment of GBP 349,870 was made during the year ended 31 December 2021.

Getin Noble Bank S.A. hold GBP 229 (PLN 1,253) (2020: GBP 6,818 (PLN 24,724)) of the Groups cash in blocked bank accounts.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

28 BANK LOANS (CONTINUED)

Bank Ochrony Środowiska S.A.

City Living Polska Development Sp Z.o.o 4 S.K.A has a loan payable for a maximum of GBP 1,558,645 (PLN 8,508,448).

This amount was drawn down in one tranche of the full amount, and it shall be repaid in full by 30 June 2021.

Security for this loan is by way of the following:
- Contractual mortgage on first place of satisfaction up to the amount of GBP 2,337,957 (PLN 12,762,672.00);
- Second place contractual mortgage up to the amount of GBP 368,206 (PLN 2,010,000.00);
- Own blank promissory note with a promissory note declaration;
- Pledge on shares;
- Pledge on all borrower's accounts;
- Transfer of proprietary copyrights;
- A power of attorney to use bank accounts;
- Borrower's declaration of submission to enforcement;
- Transfer of receivables under the General Contractor Agreement;
- Assignment of receivables, an investment insurance policy against construction risks; and
- Transfer of the return of the excess input VAT over the due VAT.

Full repayment was made during the year ended 31 December 2021

HNW Loan 1

City Living PCC Limited obtained a loan amounting to GBP 925,000 from HNW Lending during the year ended 31 December 2021. The loan commencement date was 1 September 2021. The loan was drawn down in one tranche of the full amount on 22 September 2021, and it shall be repaid in full at the end of its 24 month term.

Security for this loan is by way of the following:
- Mortgage over the borrower`s real estate to the amount of GBP 4,162,500;
- Polish law-governed submissions to enforcement issued in favour of the Security Agent in relation to the mortgage referred to above;
- Assignment agreements of rights under insurances between each policyholder as assignor and Security Agent as assignee;
- Financial and registered pledges over certificates of City Living Polska FIZAN.

HNW Loan 2

During the year ended 31 December 2021, HNW Lending Ltd granted a loan of up to GBP 1,000,000 to City Living PCC Limited. The loan commencement date was 12 November 2021. The loan was drawn down in one tranche of the full amount on 24 November 2021 and it shall be repaid in full at the end of the 24 month term.

Security for this loan is by way of the following:
- Mortgage over the borrower`s real estate to the amount of GBP 1,716,346 (PLN 8,925,000);
- Polish law-governed submissions to enforcement issued in favour of the Security Agent in relation to the mortgage referred to above;
- Financial and registered pledges over certificates of City Living Polska FIZAN to the value of GBP 525,000;
- Assignment agreements of rights under insurances between each policyholder as assignor and Security Agent as assignee.

Interest rate swap

On 30 April 2020, the interest rate swap agreement the Group had in place with Bank Zachodni WBK S.A. expired. This agreement had a notional amount of PLN 10,782,100 (GBP: 1,975,142) (2020: PLN 10,782,100 (GBP: 2,116,918)) whereby the Group paid a fixed rate of interest of 2.55% (2020: 2.55%) and received interest at a variable rate equal to 3 month PLN WIBOR on the notional amount.

On 8 December 2020, the Group entered into a new agreement with Santander Bank Polska S.A. which has a notional amount of PLN 9,395,694 (GBP: 1,721,170) (2020: PLN 9,395,694 (GBP: 1,844,716)) whereby the Group paid a cap rate of interest of 0.2% and received interest at a variable rate equal to 3 month PLN WIBOR on the notional amount.

The fair values of the loans are not materially different from the carrying values, which are the amortised costs.

At the year end date the fair value of the interest rate swap was as follows:

	2021	2020
	GBP	GBP
Non-current interest rate swap derivative asset / (liabilities)	**29,970**	(23,731)

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

28 BANK LOANS (CONTINUED)

As a result of movements in market interest rates during the year, unrealized gains / (losses) have arisen on the movement in fair value of the interest rate swap as follows:

	2021	2020
	GBP	GBP
Non-current interest rate swap derivative	**25,647**	(21,757)

29 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table discloses the effects of the amendments to IAS 7 Statement of Cash Flows which requires additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

	Group 2021 GBP Bank loans	Group 2020 GBP Bank loans
Opening Balance	**8,034,145**	12,231,020
Cash flows paid - capital	**(3,044,254)**	(4,848,080)
New loans obtained	**1,925,000**	1,828,236
Cash flows paid - interest	**(244,391)**	(233,533)
Cash flows paid – loan arrangement costs	**(266,546)**	-
Non-cash flows		
- Interest accrued	**294,912**	389,515
- Amortisation of loan arrangement costs	**29,660**	-
- Effects of foreign exchange	**(567,412)**	(1,330,687)
- Movement in bank provision	**15,391**	(2,326)
Closing Balance	**6,176,505**	8,034,145

30 OTHER RISKS

Political and economic risk

The value of Redeemable Ordinary Shares may be affected by uncertainties such as political or diplomatic developments, social and religious instability, changes in government policies, taxation or interest rates, currency repatriation and other political and economic developments in law or regulations and, in particular, the risk of expropriation, nationalisation, and confiscation of assets and changes in legislation relating to the level of foreign ownership.

Governmental authorities at all levels are actively involved in the promulgation and enforcement of regulations relating to taxation, land use and zoning and planning restrictions, environmental protection, safety and other matters. The introduction and enforcement of such regulations could have the effect of increasing the expense and lowering the income or rate of return from, as well as adversely affecting the value of, the Group's assets.

The recent invasion by Russia into Ukraine has increased geopolitical risk globally and particularly in the Eastern European region due to its proximity and the Directors continue to monitor developments and will seek to mitigate any material risk that may arise.

31 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

Poland Geared Growth Cell

The Cell monitors capital using the gearing ratio to enhance the Cell's returns. The gearing ratio is defined as being the loan to value ("LTV") per the Information Memorandum. The Cell's policy is to keep the LTV for residential property below a maximum of 60% and for commercial property to below a maximum of 80%. At the reporting date, the Cell had drawn down GBP 1,925,000 of GBP debt on its GBP loan facility of GBP 5,000,000 (2020: GBP Nil) and GBP 4,480,778 (PLN 24,460,119) (2020: GBP 8,456,362 (PLN 43,070,788)) of PLN Debt on its initial PLN loan facility of GBP 6,631,483 (PLN 36,200,600 (2020: GBP 18,790,106 (PLN 44,770,648)). The LTV as at 31 December 2021 and 31 December 2020 is as follows:

	2021	2020
	GBP	GBP
Total loans	**6,176,505**	8,034,145
Property portfolio	**19,195,712**	22,195,725
LTV	**32.18%**	36.20%

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

32 RELATED PARTY DISCLOSURES

Mr. Paul Duquemin is a Director of the Company. During the year ended 31 December 2021, Mr. Paul Duquemin earned director's remuneration of GBP 25,000 (2020: GBP 25,000) and was reimbursed for travel expenses to the sum of GBP nil (2020: GBP Nil). Mr. Paul Duquemin is entitled to receive Investment Committee fees of GBP 30,000 per annum (2020: GBP 30,000). During the year ended 31 December 2021 Mr. Paul Duquemin was paid GBP 30,000 of Investment Committee fees (2020: GBP 30,000).

During the year ended 31 December 2021 Mr. Mike White, a member of the Investment Committee, was paid GBP 12,000 of Investment Committee fees (2020: GBP 12,000)

Dr. Katrina Tarizzo is a director and the main shareholder of Tarizzo Limited, which also holds 119,742.07 (2020: 119,742.07) shares in the Cell. During the year ended 31 December 2021, Dr. Katrina Tarizzo earned director's remuneration of GBP 25,000 (2020: GBP 25,000), director's remuneration in relation to the five Polish boards totaling GBP 23,400 (2020: GBP 25,083) and was reimbursed for director expenses to the sum of GBP 2,095 (2020: GBP 977). Tarizzo Limited is entitled to certain fees payable as follows:

Management fee	If GAV is above GBP 30million, a fee of 0.21% is payable. If GAV is below GBP 30million, a fee of 0.19% is payable. During the year ended 31 December 2021 management fees amounted to GBP 62,000 (2020: GBP 63,145), of this amount GBP Nil was outstanding (2020: GBP 16,645).
Investment Committee fee	Dr. Katrina Tarizzo is entitled to receive investment committee fees of GBP 38,000 per annum (2020: GBP 38,000). During the year ended 31 December 2021, Dr. Katrina Tarizzo was paid GBP 38,000 of investment committee fees (2020: GBP 38,000).
Promoter's fee on new subscriptions	For new subscriptions 0.5% is payable. For the year ended 31 December 2021, the Promoter's fee was GBP nil (2020: GBP nil).
Promoter's fee on new debt or funds raised	A Promoter's fee on debt or other funds raised of 0.3%, was due. For the year ended 31 December 2021, the Promoter's fee was GBP 29,488 (2020: GBP 12,715).
Performance fee	A 2% share of the 7% fee charged above the High Water Mark, is payable. For the year ended 31 December 2021, the Performance fee was GBP nil (2020: GBP nil).
Liaison fees	Tarizzo Limited acts as liaison with the independent financial advisors and will be paid a fixed fee of GBP 12,000 per annum. For the year ended 31 December 2021, the liaison fee was GBP 12,000 (2020: GBP: 12,000).
Ad-hoc fees	During the year ended 31 December 2021 Katrina Tarizzo was paid GBP Nil (2020: GBP 19,357) for other ad-hoc services performed.

As the Directors are members of the key management personnel, they are related to the Company's subsidiaries in note 2.5.

33 CONTROLLING PARTY

In the opinion of the Directors, there is no controlling party as no one party has the ability to direct the financial and operating policies of the Group with a view to gaining economic benefits from its direction.

34 RECONCILIATION OF THE FINANCIAL STATEMENTS NAV TO THE PUBLISHED NAV

	2021	2020 (As Restated)
	GBP	GBP
NAV per Financial Statements	**13,085,524**	13,228,594
Add back:		
Movement in assets	**1,463,673**	2,086,267
Movement in payables	**13,014**	(10,962)
Deferred tax adjustment	**371,039**	576,875
Published NAV	**14,933,250**	15,880,774

The NAV per the Financial Statements above corresponds to a NAV per Redeemable Ordinary Share of 33.87 pence (2020 restated: 34.25 pence) based on 38,625,507.64 Redeemable Ordinary Shares issued at the year end (2020: 38,625,507.64). The Published Net Asset Value above corresponds to an NAV per Redeemable Ordinary Share of 38.66 pence (2020: 41.11 pence), based on 38,625,507.64 (2020: 38,625,507.64) Redeemable Ordinary Shares in issue.

The movement in assets relates to the Shareholders' NAV incorporating the investment in and advances on properties made by the Cell at their market values, compared to the NAV in these Financial Statements which uses a combination of cost and market values of property depending on the circumstance of each individual project. The movement in payables relate to estimates made at the dealing date.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021 (continued)

35 POST BALANCE SHEET EVENTS

The Fund has signed a binding conditional offer with a Jersey based strategic fund partner. The offer will comprise an offer to acquire ordinary shares from any shareholder who wishes to sell at the offer price. The offer also includes an injection of new capital via the issue of preference shares, these preference shares will also be available to ordinary shareholders at the issue price to be decided. The issue of two million pounds of preference shares requires that the special resolution be passed by shareholders in order that the articles of the company may be amended to accommodate the new class of preference shares. The Directors have sought indications of support for the proposed changes from the largest corporate shareholders of the Fund to ensure shareholder backing prior to commencing work on this project. The liquidity from the issuance of preference shares is expected to be used to reduce loans and contribute towards the restructuring costs of removing the Fizan and further consolidation of the Polish operating companies. The conditions to the offer include; that the strategic partner must acquire more than 50% of the total voting rights of the Fund and the issuance of the actual number of preference shares will be at the discretion of the Directors. Furthermore. The offer is also conditional on customary closing conditions and regulatory approval. The Directors have informed the regulator of the details of the offer and as of now, there are no known material objections to the offer proceeding. The Directors are expecting this offer be made to shareholders early in November together with a notification of an EGM. Then subject to the passing of special resolutions at the EGM to close approximately four weeks thereafter.

Since 31 December 2021, the Company has repaid all of the outstanding debt due to Raiffeisen Bank International AG (GBP 2,023,033), Getin Noble Bank S.A. (GBP 99,193) and repaid a further PLN 3,237,853 towards the outstanding balance with Bank Zachodni WBK S.A.

Further drawdowns of the loan facility with HNW Lending were made in February, HNW3 (GBP 880,000) and April, HNW 4 (GBP 820,000).

In addition, a number of sales have been made from Platinum Towers (7 units) GBP 1,106,536, Jesionowa (4 units) GBP 429,788 and Arkada (15 units) GBP 1,140,226.

Two mergers have been completed and registered with the courts;

- Merger 1:
  Receiving entity was City Living Polska 3 Sp z o.o; SPVs merged into this were: City Living Polska 2 Sp z o.o 1 SKA and City Living Polska 2 SKA and City Living Polska 2 Sp z o.o.
- Merger 2:
  Receiving entity was City Living Polska Development 3 Sp z o.o; SPVs merged into this were City Living Polska Development 1 SKA and City Living Polska Development 4 SKA.

In total five Polish companies were 'eliminated', which is expected to result in further cost savings.

There has been a change change to service providers as follows;

- Provider of Polish accounting services to all Polish subsidiary companies has been changed from ProService to Fidendo
- The Polish custodian to City Living Polska FIZAN was changed from MBank (who withdrew from providing custodial services in Poland) to NWAI.

36 CAPITAL COMMITMENTS

As at 31 December 2021, the Group had no commitments in respect of investment properties (2020: GBP nil).

Portfolio statement as at 31 December 2021 (unaudited)

Property	Location	2021 GBP	2021 % of portfolio	2020 % of portfolio
Arkada Park, Żupy	Bydgoszcz	**1,751,397**	**9.12%**	7.56%
Grodzisk Maz.	Grodzisk	**1,258,735**	**6.56%**	5.20%
Jesionowa	Katowice	**4,373,317**	**22.78%**	20.67%
Rejtana	Poznan	**779,644**	**4.06%**	13.54%
Ledóchowskiej	Warsaw	**792,394**	**4.13%**	4.91%
Bagno "Atelier Residence"	Warsaw	**-**	**0.00%**	3.78%
Olbrachta	Warsaw	**-**	**0.00%**	0.00%
Platinum Towers	Warsaw	**9,680,588**	**50.43%**	41.15%
Spiska	Warsaw	**545,898**	**2.84%**	1.26%
ul. Płaskowickiej	Warsaw	**4,580**	**0.02%**	0.07%
Włochy Bratnia	Warsaw	**9,159**	**0.05%**	0.04%
Zawiszy	Warsaw	**-**	**0.00%**	1.81%
		19,195,712	**100.00%**	100.00%