



## INDEPENDENT AUDITOR'S REPORT

**To the shareholders of Cordia International Zrt.**

### **Opinion**

We have audited the consolidated financial statements of Cordia International Zrt. (the “Company”) and its subsidiaries (together the “Group”) which comprise the consolidated statement of financial position for the financial year ended on 31 December 2021 (in which total assets are THUF 281,275,892), the consolidated statement of profit or loss and other comprehensive income (in which the total comprehensive income for the year is THUF 20,963,655 profit), the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year then ended and the notes to the consolidated financial statements comprising significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the EU.

### **Basis for opinion**

We conducted our audit in accordance with Hungarian National Standards on Auditing (“HNSA”) and with applicable laws and regulations in force in Hungary. Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

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

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



## Our audit approach

### Overview

<i>Overall group materiality</i>	Overall group materiality applied was THUF 2,750,000
<i>Group Scoping</i>	We included 38 subsidiaries operating in 5 countries in our audit which amount up to 84% of the consolidated total assets and 92 % of the consolidated revenue for the year.
<i>Key Audit Matters</i>	<ul style="list-style-type: none"><li>• Net realizable value of inventory</li></ul>

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

<i>Materiality</i>	THUF 2,750,000
<i>Determination</i>	1% of the consolidated total assets
<i>Rationale for the materiality benchmark applied</i>	We chose consolidated total assets as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 1%, which is consistent with quantitative materiality thresholds used in this sector.



### ***Group audit scope***

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We have identified 28 subsidiaries, which, in our view, required an audit of their complete financial information, due to their financial significance to the Group. Those reporting components are the major operating entities in Hungary and Poland.

In addition, we performed the audit of specific balances and transactions of 10 subsidiaries in Poland, Romania, Spain and the United Kingdom.

For the remaining components we performed analytical review on Group level. This together with additional procedures performed at the Group level, including testing of consolidation journals and intercompany eliminations, gave us the evidence we needed for our opinion on the consolidated financial statements as a whole.

### **Key audit matters**

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

#### *Key audit matter*

#### **Net realizable value of inventory**

Inventory consists of residential real estate projects under development or construction and is the most significant financial statement line item in the consolidated financial statements of the Group. As of 31 December 2021 inventory amounted to THUF 132,163,509 and represented 47% of the total consolidated assets. Inventory is measured at the lower of cost and net realizable value. The cost of inventory includes, amongst others, land, engineering and construction fees, planning and design costs, real estate taxes, borrowing costs and professional fees directly attributable to the project, construction overheads and other directly related costs.

#### *How our audit addressed the key audit matter*

We understood and evaluated the net realizable value assessment process, performed a walkthrough of the process and evaluated the design of the controls over the process.

We examined whether inventory is periodically assessed by the Group's management and the net realizable values are estimated based on appropriate data.

We involved our internal real estate valuation specialists to assist us in obtaining an understanding of management's analyses and checking the related external valuation reports. We evaluated the work of the management and management' experts, including the competence, with respect to the net realizable value assessment.

Additionally, we performed substantive audit procedures and tested the net realizable value



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The Group assessed internally the net realizable value of the inventory and decreased the value when the net realizable value was lower than the cost. The net realizable value calculation is highly dependent on estimates like, amongst others, the estimated sales prices per m<sup>2</sup>, the estimated construction costs and the expected timing of sale of the units. Management performed the valuation and assessed any possible write-downs on inventory for each project separately, according to the projection of revenues net of cost of sales.

We focused on the net realizable value of inventory, because the value of inventory is significant to the consolidated financial statements and significant estimates are involved in the assessment of the net realizable value. The disclosures about significant judgements and estimates related to inventory valuation are discussed in the note 2 (e) “Use of estimates and critical judgments” to the consolidated financial statements.

The disclosures regarding inventory were presented in note 22 of the consolidated financial statements.

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applied, the key assumptions used, including comparing these assumptions to similar projects on the market and actually realized results of the net realizable value calculations on individual projects.



### **Other information: the annual report**

Other information comprises the annual report of the Group. Management is responsible for the preparation of the annual report. Our opinion on the consolidated financial statements expressed in the “Opinion” section of our independent auditor’s report does not cover the annual report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the annual report and, in doing so, consider whether the consolidated business report and the annual report is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that the annual report is materially misstated we are required to report this fact and the nature of the misstatement.

In our opinion, the 2021 annual report of the Group, is consistent with the 2021 consolidated financial statements in all material respects.

We are not aware of any other material inconsistency or material misstatement in the annual report and therefore we have nothing to report in this respect.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

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

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

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



## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HNSAs 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 HNSAs, 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.
- 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 in the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



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

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

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

Budapest, 29 April 2022

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