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Consolidated financial statements as at 31 December 2023
Management report as at 31 December 2023 and
Report of the réviseur d'entreprises agréé

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Management Report

Review and development of the Group's business and financial position

The net turnover for the year ended 31 December, 2023, was EUR 40,258,136 compared with EUR 33,366,480 for the same period in 2022 representing an increase of EUR 6,891,656 (20.7 %). The net turnover is mainly composed of income from operating a real estate portfolio in Hungary and the Netherlands.

2023 has been a challenging business environment in both Hungary and the Netherlands as the continent continues to suffer from a number of ongoing headwinds. These are:

- the recovery from the COVID pandemic,
- the ongoing war in the Ukraine,
- the increasing hostilities in the middle east,
- high interest rates,
- currency volatility,
- high inflation

Despite these headwinds the Group has seen improvements in revenue arising from prior years investment in the Netherlands, an improvement in foreign currency rates in Hungary and the further development of revenues in the certain retails spaces in Budapest.

The Group has also acquired 2 properties from an existing location in Budapest, renovated a former flagship store and continues to make investments in energy efficiency where this adds value to tenants and properties.

The Group has also seen increasing yields on the investment properties portfolio as the investment climate has turned strongly negative, as well as an increase in vacancy in the Netherlands, which has had a negative effect on the property valuations performed by both management and independent valuers. None of these valuations has had any effect on the Group's operating cash flows which continue to be strong in all geographies.

During 2023, the Group ended the activity of its subsidiary Arany Juhár Idősotthon Kft. and transferred the properties at a value of EUR 2,569,100 into Keringatlan Kft. after recognising an impairment loss of EUR 715,505.

These properties have been included in the investment property portfolio and disclosed as such and are expected to be rented out to a professional operator of senior citizens homes in the near future . In early December 2023 the Board of directors approved the decision to commence the liquidation of Arany Juhár Idősotthon Kft. and as a result, it has been removed from the Group as of 31 December 2023.

There were no new major investments nor changes in the Group's core activities compared with 2022.

The overall income for the year amounts to EUR 40,809,196 which is impacted by the net sales and the financial revenue which has also improved as the Group has taken advantage of the increasing interest rates on short term deposits of its free cash flow (31 December 2022: EUR 33,366,711).

The net result for the year is a profit of EUR 8,763,074.

In April 2023, the Group repaid all of its outstanding debt to Berlin Hyp AG and remained debt free for the rest of the financial year.

No provision is either recognised or required for covering future environment fines or expenditures in 2023.

Principle risks and uncertainties

The Group's business, financial condition or results can be affected by risks and uncertainties. Management has identified the following risks:

- Change in laws and regulations governing the operations of the Company and its subsidiaries which may affect their business, investments and results of operations
- Foreign currency risk
- Credit risk
- Liquidity risk
- Country risk

Management monitors these risks and applies the following risk management procedures:

Foreign currency ("FX") risk

Financial instruments that potentially represent risk for the Group include deposits, debtors and credit balances denominated in foreign currency, creditors in foreign currency and deposits in foreign currency other than EUR. The Group's rental contracts are mostly stipulated in EUR or on EUR basis thus mitigating FX risk associated with non-EUR based revenues. As of 31 December, 2023 the Group does not have any open forward transactions.

Credit risk

The Group aims to mitigate lending risk by its careful and continuous debtor portfolio monitoring process and by requiring bank guarantees and collateral. In addition, the Group regularly follows up information about the main debtors in the market.

Concentrations of credit risk, with respect to trade accounts receivable, are limited due to the large number of customers and due to the dispersion across geographical areas.

Receivable balances are monitored on an ongoing basis.

Investments of surplus funds are made only with reliable counterparties and are allocated between more banks and financial institutions in order to mitigate financial loss through potential counterparty failure.

Liquidity risk

Liquidity risk is monitored as follows:

- Monitoring daily available deposited and free cash by entity.
- Monitoring weekly cash flows by entity.
- As part of the management information system, the Group monitors the operations of each entity on a monthly basis.
- The Group monitors its long-term cash flows in order to match the maturity patterns of its assets and liabilities.

Country risk

The Group has operations in Luxembourg, in the Netherlands and in Hungary. By the geographical diversification of the operations, the Group mitigates the effects of country risk. The Group has not identified any significant risks that may affect the financial performance of Group members associated with the countries in which the Group operates. Further as members of the European Union and the legal structure associated with it, management believes that country risk is not a matter of significant concern.

Internal control and risk management systems in relation to the financial reporting process

The Board of Directors has overall responsibility for ensuring that the Group maintains a sound system of internal controls, including financial, operational and compliance controls. Such a system forms an integral part of the corporate governance strategy of the Company. Internal control procedures help to ensure the proper management of risks and provide reasonable assurance that the business objectives of the Company can be achieved. The internal control procedures are defined and implemented by the Company to ensure:

- the compliance of actions and decisions with applicable laws, regulations, standards, internal rules and contracts;
- the efficiency and effectiveness of operations and the optimal use of the Company's resources;
- the correct implementation of the Company's internal processes, notably those to ensure the safeguarding of assets;
- the integrity and reliability of financial and operational information, both for internal and external use;
- that management's instructions and directions are properly applied; and
- that material risks are properly identified, assessed, mitigated and reported.

Like all control systems, internal controls cannot provide an absolute guarantee that risks of misstatement, losses or human error are fully mitigated or eliminated. The control environment is an essential element of the Company's internal control framework, as it sets the tone for the organization. This is the foundation of the other components of internal control, providing discipline and structure.

Regarding the internal controls in the area of accounting and financial reporting, the following should be noted:

- In the context of the ongoing organizational realignment implemented since the Group moved its headquarters to Luxembourg, a greater integration of the financial operations of the parent company and affiliates under a single management structure was established.
- Controls have been established in the processing of accounting transactions to ensure appropriate authorizations for transactions, effective segregation of duties, and the complete and accurate recording of financial information.
- The Company relies on a comprehensive system of financial reporting. Strategic plans, business plans, budgets and the interim and full-year consolidated accounts of the Group are drawn up and brought to the Board for approval. The Board also approves all significant investments. The Board receives monthly financial reports setting out the Company's financial performance in comparison to the approved budget and prior year figures.
- A clear segregation of duties and assignment of bank mandates between members of management, and the accounting departments is implemented.

Research and development

The Company itself has no research and development activity and the research and development activity carried out through its subsidiaries is not significant.

Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with a face value of EUR 0.42 each. At 31 December 2023, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preferred shares (31 December 2022: 70,723,650 ordinary shares and 2,000,000 dividend preferred shares).

The “dividend preferred shares” carry the same rights as ordinary shares in the event of liquidation or dissolution. They entitle the holder to an annual dividend determined by the General Meeting, but do not carry voting rights.

Holders of dividend preferred shares are not entitled to any rights or dividends other than those granted to them by the General Meeting. They are paid once a year. Interim dividends may only be paid if the conditions required for such a distribution are met.

In April 2023, the Group sold 900,000 dividend preference shares to key members of management at EUR 0.42 per share and paid a dividend of EUR 90,000 which has been included as part of the salary cost of the Group. All remaining dividend preferred shares are held in treasury.

As at 31 December 2023, the Company held 29,552,089 treasury shares (of which 96,28% - 28,452,089 are ordinary shares and 3,72% - 1,100,000 are dividend preferred shares) at a historic cost of EUR 45,020,522 (31 December 2022: 30,146,110 shares – of which 93.37% - 28,146,110 are ordinary shares and 6.63% - 2,000,000 are dividend preferred shares – at a historic cost of EUR 44,475,740). During 2023, the Company purchased 305,979 of its ordinary shares (2022: 318,628 shares) at acquisition cost of EUR 929,326 and sold 900,000 dividend preference shares to key members of management at EUR 384,544 (2022: Nil) on an arm’s length basis.

Significant Events after the end of the reporting period

As of December 7th, 2023, the Group invested EUR 3.4 million to acquire a 20% stake in APF International BV, an entity specialising in real estate services in the Netherlands for which 2 of their directors also serve as independent directors of Fotex Holding. This agreement is effective as of 1 January 2024, as a result the EUR 3.4 million has been treated as prepayment for the acquisition of investments under Note 7 of these consolidated financial statements.

On January 30th,2024, Fotex established, with the participation of APF International, a new company “Avenue Building BV”. Fotex owns 76,19%, whilst APF owns 23,81%. On February 24th, 2024, Avenue Building BV signed a sales and purchase agreement to acquire a property in the Netherlands at a purchase price of Euro 9,197,483.

Significant direct and indirect Shareholders

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Luxembourg S.á.r.l. (“Blackburn Luxembourg”), a Luxembourg company. Blackburn Luxembourg has a controlling interest in Fotex Holding S.E. As at 31 December 2023 Blackburn Luxembourg controlled 50.35% (31 December 2022: 50.35%) of Fotex Holding S.E.’s voting shares.

Corporate governance

The Company adopts and applies the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange (“Ten Principles”). It reviews the Ten Principles on a yearly basis and from time to time shares the developments with the Luxembourg Stock Exchange as part of a joint follow-up process in order to reduce the number of exceptions.

On August 10th, 2023, the Company updated its Corporate Governance Charter which is disclosed on its website. Its website is continuously updated to publish the most recent information available, concerning especially the financial calendar for information purposes, and the management.

With respect to the directors of the Company, members of the Board of Directors possess a mixture of relevant experience which supports the business model of the Company. More information on this topic, specifically on the profile of the directors, can be found in the "Management" section of the Company's website (www.fotex.lu).

A majority of the directors consists of directors who are independent in accordance with the detailed list of criteria described below in "The Board" chapter. Each director has a sufficient level of independence when carrying out his or her mandate as member of the Board of Directors of the Company.

They are elected by the general assembly of the shareholders of the Company, each of them has a proven professional track record and is deemed highly skilled in his/her profession. Considering these circumstances, following their appointment there are no separate induction trainings carried out on behalf of the directors.

With regards to special committees of the Company, due to the investment holding character, the Company is of the opinion that the number of special committees shall be limited in order to achieve optimal efficiency. More specifically, the Company does not have a Nomination Committee. It assesses the necessity of this recommendation, however, given the financial holding nature of the Company, it has been considered such a committee is not necessary. As such, there are no formal recruitment procedures for the appointment of directors, this power is exercised by the Board of Directors along with the general assembly of the shareholders of the Company, for their election.

In addition, no Remuneration Committee has been set-up by the Company. The recommendation is reviewed by the Company from time to time, however, it is its view that due to the financial holding nature of the Company, a Remuneration Committee is not required. The power to determine the remuneration of the members of the Board of Directors is reserved to the shareholders. Accordingly, the Company does not have a remuneration policy, all remuneration allocated by the Company, more specifically tantiemes allocated to directors or members of the Audit Committee, are decided upon by the general assembly of the shareholders, such remuneration in each case representing fixed amounts which do not depend on the performance of the directors, or the Company itself.

As per the Articles of the Association, the Corporate Governance Charter of the Company and the applicable laws, the financial reporting, internal control and risk management are monitored by the Audit Committee of the Company. The rules set out in the Corporate Governance Charter describe the operational method of the Audit Committee. In the organisational structure of the Company, no internal audit function exists.

Ordinary shares issued by the Company are listed on the Luxembourg Stock Exchange. Applicable insider dealing and market manipulation laws prevent anyone with material non-public information about a company dealing in its shares from committing market manipulations. A detailed Dealing Code does not exist, however, directors have a duty to report any transactions in the Company's securities to the Company. Such a report has not been submitted to the Company.

The Group does not have a formal diversity policy in place as all the positions within the Group are awarded to the candidate whose skills and qualifications meet the requirements of the given position to the highest extent.

The Board

The Company is managed by a Board of Directors (the “Board”) composed of a minimum of five and a maximum of eleven members (the “Directors”, each one a “Director”).

The Directors shall be appointed by the General Meeting of shareholders of the Company for a maximum period which will end at the Annual General Meeting of the Company to take place during the third year following their appointments. They shall remain in office until their successors are elected. They may be re-elected and they may be dismissed at any time by the General Meeting, with or without cause.

In the event that one or several positions on the Board become vacant due to death, resignation or any other cause, the remaining Directors shall select a replacement in accordance with the applicable legal provisions, in which case this appointment shall be ratified at the next General Meeting of the shareholders of the Company.

The Board of Directors has been authorized by the shareholders to manage the day-to-day operations of the Company, as well as to make administrative decisions at the Company.

All rights which have not been conferred to the shareholders by the Articles of Association or by the laws remain the competence of the Board of Directors. The Board may decide paying interim dividends as prescribed by law. All long-term pay schemes, plans, or incentive programs relating to the employees of the Company and its subsidiaries, which the Board would like to implement are required to be brought to the General Meeting of the shareholders before approval.

The remuneration of members of the Board of Directors shall be fixed by the General Meeting. The Board shall elect a chairman from among its members.

According to the Articles of Association, persons with no legal or financial link to the Company other than their mandate as Director are considered “independent persons”.

“Independent persons” does not include persons who:

a) are employed by the Company or its subsidiaries at the time of their appointment as a member of the Board of Directors;

b) carry out remunerated activities for the benefit of the Company or exercise technical, legal or financial duties within the Company;

c) are shareholders of the Company and directly or indirectly hold at least 30% of the voting rights, or are related to such a person;

d) receive financial benefits linked to the Company’s activities or profit;

e) have a legal relationship with a non-independent member of the Company in another company in which the non-independent member has management and supervisory powers.

The Board is composed as follows:

Name:	**Position:**
Mr. Gábor VÁRSZEGI	Chairman of the Board
Mr. Dávid VÁRSZEGI	Member of the Board
Mr. Wiggert KARREMAN	Member of the Board
Mr. Martijn J. G. WINDELS	Member of the Board
Mr. Alan J. GRIFFITHS	Member of the Board
Mr. Gábor MOCSKONYI	Member of the Board

The Annual General Meeting of the Company held on 17 April 2023 elected the members of the Board of Directors with a mandate expiring at the Annual General Meeting of shareholders of the Company called to approve the Company’s consolidated financial statements as at 31 December 2023.

Each member of the Board of Directors is a high-qualified, honest and acclaimed specialist. The Company publishes the information about the career of the Board of Directors’ members on its website.

The Board of Directors shall be vested with the most extensive powers to manage the affairs of the Company and to carry out all measures and administrative acts falling within the scope of the corporate objectives. Any powers not expressly reserved for the General Meeting by the Articles of Association or by the laws shall fall within the remit of the Board of Directors.

A subsequent General Meeting representing at least 50% of the ordinary shares may establish the limits and conditions applicable to the authorized capital, within the conditions laid down by the law.

In this case, the Board of Directors is authorized and mandated to:

- carry out a capital increase, in one or several stages, by issuing new shares to be paid up either in cash, via contributions in kind, the transformation of debt or, subject to the approval of the Annual General Meeting, via the integration of profits or reserves into the capital;

- set the place and date of the issue or of successive issues, the issue price, and the conditions and procedures for subscribing and paying up the new shares;

- abolish or restrict the preferential subscription rights of shareholders with regard to new shares to be issued as part of the authorized share capital.

This authorization is valid for a period of five years from the publication date of the authorization deed and may be renewed by a General Meeting of shareholders for any shares of the authorized capital which have not been issued by the Board of Directors in the meantime.

Following each capital increase carried out and duly recorded according to the legal formalities, the first paragraph of the Articles of Association shall be amended in such a way as to reflect the increase carried out; this amendment shall be recorded in the notarial deed by the Board of Directors or any other authorized person.

Audit Committee

The audit committee of the Company (the “Audit Committee”) shall be composed of a minimum of three and a maximum of five people.

The members of the Audit Committee shall be appointed by the General Meeting of shareholders of the Company from the members of the Board deemed to be “independent persons” for a period not exceeding their respective mandates.

The Audit Committee shall elect a chairman from among its members. The quorum shall be met at Audit Committee meetings when the members have been validly called to attend and when a minimum of two-thirds or three of its members are present. All of the Committee’s decisions shall be taken by a simple majority vote. In the event of a tied vote, the person presiding over the meeting shall have the casting vote. Members of the audit committee may be re-elected or dismissed at any time by the General Meeting, with or without cause. The Audit Committee reviews the annual report of the Company, controls and evaluates the operation of the financial system and provides its tasks in connection with the Auditor of the Company.

The Audit Committee is composed as follows:

- Mr. Alan J. Griffiths (Chairman of the Audit Committee)
- Mr. Martijn J. G. Windels (Member of the Audit Committee)
- Mr. Wiggert Karreman (Member of the Audit Committee)

The Members of the Audit Committee were appointed at the Annual General Meeting held on 17 April 2023. The mandate of the members of the Audit Committee will expire at the Annual General Meeting of shareholders of the Company called to approve the Company’s annual accounts as at 31 December 2023.

No specific remuneration is attributed to the members of the Audit Committee.

The Company publishes the resolutions after the General Meeting and ensures the shareholders get to know their content.

Subject to the provisions of the Article 10 of the Articles of Incorporation of the Company, the General Meeting of shareholders has the broadest powers to order, carry out or ratify measures relating to the activities of the Company.

Rules Governing Amendments to the Articles of Incorporation

Amendments to the Articles of Incorporation are approved by resolution at an Extraordinary General Meeting of shareholders under the conditions of the law.

Branches of the Company

The Company has no branches.

Climate change

Management has considered climate-related matters in preparing the consolidated financial statements which may be material with respect to the most significant judgements and estimates that management has made.

This assessment has concluded that at present, there is no material impact on the business, its assets and liabilities that are effected . In reaching this conclusion management has considered:

- The exiting of the crystal production business which commenced in 2019 and the following regeneration of the area occupied by the factory;

- The refurbishment policy of the Group's investment properties that has been updated to be carbon neutral;

- The Group's key assets are not located in areas experiencing extreme weather conditions requiring additional expenditure to secure the asset value;

- There are no liabilities, contingent or otherwise in the Group that need to be recorded as a result of climate change.

- The Group has started to invest in energy efficiency improvements through the installation of solar panels at certain properties in Budapest generating 50 kilowatt hours of clean energy. This has continued into 2024 where the Group's largest property will complete the installation of solar panels with the capacity to generate 220 kilowatt hours. Further such investments will be made in future years as the Group focuses on improvements in its overall carbon footprint.

Management continues to monitor the situation and will respond accordingly to events and situations warranting attention.

War in Ukraine

Management regularly monitors the ongoing situation and any potential impact on its business arising from the war in Ukraine. As part of this monitoring management considers:

- Compliance with sanctions imposed since the invasion.
- Any financial impact on its tenants and other businesses arising either from sanctions imposed or business interruption consequences.
- Management tests compliance with these requirements annually.

Based on this, the Board of Directors has concluded that, to the best of its knowledge, it is in compliance with sanctions imposed and, as yet the Group has not experienced any direct adverse business effects on the operations of the Group arising from the situation in Ukraine.

Other Disclosures

There are no agreements with shareholders which are known to the Company and may result in restrictions on the transfer of securities or voting rights within the meaning of the 2004/109/EC directive (transparency directive).

There are no restrictions on the transfer of securities in the Articles of Incorporation of the Company.

There are no securities granting special control right to their holders and there are no restrictions on voting rights of the ordinary shares.

There are no significant agreements to which the Company is party to and which would take effect, alter or terminate upon a change of control following a public offering or takeover bid.

There are no agreements between the Company and its Board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

Own share purchases

The Company operates a share buyback program which is carried out as part of the company deploying capital into investments it considers to be in the best interest of the company, whilst also offering a floor to the share price. The program also provides additional liquidity to facilitate, in the best interest of all shareholders, the smooth trading in the shares.

Future Prospects

The company continues to maintain a stable and strong financial position; however, during 2023 it used up more than half of its cash on hand to settle all outstanding remaining debt obligations for the entire Group. As such the Group is now debt free but it also has significantly less cash available for possible future investments. The Group did not acquire any new major assets during 2023 as we continue to wait for better opportunities and face a difficult financing environment. As in previous years the Group will continue to develop its companies to optimize their operations especially in energy related investments in our Hungarian property portfolio. Two such minor investments have already been made in this arena into solar power generation at two Group owned properties. The Group will use these investments to assess the effectiveness and profitability of future investments in this area during the course of 2024. However such future investments may require large amounts of cash expenditures, but these are expected to be manageable and would only be carried out by the Group should these investment related yields be attractive enough to warrant such cash outlays.

The negative effects of the COVID-19 Virus have now fully vanished and have practically had a little to no impact on the Group's income and results for the past year. Our expectation is that Covid related issues will not have any effect on the company during 2024. Unfortunately, next to this positive development other negative factors will continue to cause problems for the Group in 2024 and these will continue to have an impact on some of the Group's tenants. First the war in the Ukraine continues to cause a variety of issues such as supply chain disruptions and the end of the conflict is far from over. Furthermore, the recent outbreak of fighting in the middle east by Israel, Hamas and the Houthis targeting shipping lanes have also created instability and uncertainty during 2023 for global commerce. How long this will last and its long-term effects remain unclear.

During 2023, whilst the effects of inflation were considered lower than during most of 2022, inflationary concerns continue to be a problem and, in some markets, inflation has begun to increase again notably in the Netherlands. Furthermore, increases in ECB interest rates during 2023 have made financing projects and obtaining new loans not just more costly and difficult but also more time consuming as compliance related issues hamper all companies trying to obtain bank financing. All these effects together may result in certain tenants needing lease discounts or other financial support in the form of free months during 2024. This in turn may also result in the Group losing some of its current income but will enable us to ensure that vacancies continue to remain low. These effects will of course not impact the Group as a going concern as it continues to be profitable and has a very strong and positive cash flow.

Finally, it is expected that due to a combination of all the aforementioned factors, tourism will continue to significantly underperform during 2024 and spending and increased unemployment will most likely also cause further economic pressure for several countries as during the Covid pandemic years; this in turn may lead to a global slowdown and even a possible recession in 2024 and will also be problematic for the Group when trying to find new tenants and extending existing leases.

The Group will continue to monitor all these interrelated issues and will make all the necessary investments into technology to minimize the effects upon our operations. Of course, the long-term effects of the current situation are still uncertain but from an economic standpoint, we still expect medium to long term consumer habit trends to eventually to normalize and the Group will adapt its strategy accordingly. Based on these facts we continue to maintain the expectation of challenging times for tenant as well as finding new tenants will continue to be issues for the Group during 2024, but manageable from an operational standpoint.

March 7th 2024, Luxembourg

Várszegi Gábor

Fotex Holding S.E.Chairman of the Board

Management Responsibility Statement

We confirm that to the best of our knowledge, the consolidated financial statements as of 31 December 2023 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit or loss of Fotex Holding S.E. and its subsidiaries included in the consolidation taken as a whole. In addition, the management report includes a fair review of the development and performance of the business and the position of Fotex Holding S.E. and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

March 7th 2024, Luxembourg

Gábor VÁRSZEGI

Chairman of the Board of Directors

Dávid VÁRSZEGI

Member of the Board of Directors

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

To the Shareholders of
Fotex Holding S.E.
28, avenue Pasteur
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Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Fotex Holding S.E. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the audit of the consolidated financial Statements » section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical 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 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 the 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.

Fair Value of Investment Properties

a) Why the matter was considered to be one of most significant in the audit?

We refer to the Material accounting policies 3. “Investment properties”, 4. “Material Accounting Judgements, Estimates and Assumptions”, and Note 10. “Investment Properties”, in the consolidated financial statements of Fotex Holding S.E.

As at 31 December 2023, the Group held a portfolio of investment properties with a carrying amount of EUR 132,219,565 (2022: EUR 129,855,321) and respective fair value of EUR 299,002,371 (2022: EUR 331,498,130). The Group’s investment properties are comprised of Dutch commercial properties and Hungarian commercial properties.

In accordance with the Group’s accounting policy, subsequent to the initial recognition the investment properties are carried at cost and depreciated systematically, except for land, over their useful economic life. The Group determines and presents in Note 10. the fair value of its investment properties in accordance with the provisions of IAS 40.79 (e).

Determining the fair value of investment properties is complex and incorporates numerous assumptions and parameters (notably yields, estimated market rents, discount and capitalization rates) relevant to measurement that involve considerable estimation uncertainties and judgment.

The significance of the estimates and judgments involved, together with the fact that only a small percentage difference in individual investment property valuation, when aggregated, could result in a material misstatement in the note disclosure, warrants specific audit focus in this area.

b) How the matter was addressed during the audit?

Our audit procedures over the fair value of Investment Properties as disclosed in Note 10. of the consolidated financial statements included, but were not limited to:

- We assessed that the valuation techniques applied are appropriate in the context of the applicable financial reporting framework (IFRS Accounting Standards as adopted by the European Union) and applied consistently.
- Where an external appraiser has been used, we have evaluated the competence, capabilities and objectivity of the external appraiser and read the terms of engagement to determine whether there were any matters that might have affected the objectivity or limited the scope of work of the external appraiser.
- For a sample of investment properties, we reconciled the inputs (such as actual rents with current tenancy schedules) used in the valuation models with the respective lease agreements and other relevant documentation.
- We involved our own valuation expert and considered the appropriateness and consistency of the assumptions used by management or the external appraiser in the valuation models by benchmarking the key assumptions and parameters used for measurement, such as yield, estimated market rents, discount and capitalization rate, and any planned refurbishment costs to comparable market data for a sample of investment properties.
- Further we assessed the adequacy and completeness of the disclosures of investment properties in the notes to the consolidated financial statements, pursuant to IAS 40.75 and IAS 40.79 and IFRS 13.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of the "*réviseur d'entreprises agréé*" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is responsible for presenting the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Responsibilities of the "*réviseur d'entreprises agréé*" for the audit of the consolidated financial statements

The objectives of our audit 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 a report of "*réviseur d'entreprises agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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.

Our responsibility is to assess whether the consolidated financial statements have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "*réviseur d'entreprises agréé*" 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 report of "*réviseur d'entreprises agréé*". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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 report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as "*réviseur d'entreprises agréé*" by the General Meeting of the Shareholders on 17 April 2023 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is four years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the consolidated management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

We have checked the compliance of the consolidated financial statements of the Group as at 31 December 2023 with relevant statutory requirements set out in the ESEF Regulation that are applicable to financial statements.

For the Group it relates to:

- Consolidated financial statements prepared in a valid xHTML format;
- The XBRL markup of the consolidated financial statements using the core taxonomy and the common rules on markups specified in in the ESEF Regulation.

In our opinion, the consolidated financial statements of Fotex Holding S.E. as at 31 December 2023, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Luxembourg, 11 March 2024

BDO Audit
Cabinet de révision agréé
represented by

Christoph Schmitt

Fotex Holding S.E. and Subsidiaries
Consolidated Statement of Financial Position
Figures in EUR

	Note	31 December 2023	31 December 2022
		EUR	EUR
Assets			
Current Assets:			
Cash and short-term deposits	5	42,874,890	83,656,881
Current portion of other financial assets	6	1,328,628	808,641
Accounts receivable and prepayments	7	10,724,550	4,543,727
Inventories	8	3,907,066	3,997,154
Total current assets		58,835,134	93,006,403
Non-current Assets:			
Property, plant and equipment	9	3,014,084	6,784,312
Investment properties	10	132,219,565	129,855,321
Deferred tax assets	17	422,891	330,319
Intangible assets	11	916,656	1,620,183
Non-current portion of other financial assets	6	3,131,199	3,054,705
Goodwill arising on acquisition	12	7,685,794	7,685,794
Total non-current assets		147,390,189	149,330,634
Total assets		206,225,323	242,337,037
Liabilities and Shareholders' Equity			
Current Liabilities:			
Interest-bearing loans and borrowings	16	-	47,036,021
Accounts payable and other liabilities	13	11,039,418	8,706,560
Total current liabilities		11,039,418	55,742,581
Non-current Liabilities:			
Other long-term liabilities	13	3,801,822	3,083,691
Deferred tax liability	17	3,526,368	5,563,120
Total non-current liabilities		7,328,190	8,646,811
Shareholders' Equity:			
Issued capital	14	30,543,933	30,543,933
Additional paid-in capital		25,495,008	25,495,008
Retained earnings		183,723,805	174,960,731
Translation difference		(6,899,107)	(8,592,511)
Treasury shares, at cost	14	(45,020,522)	(44,475,740)
Equity attributable to equity holders of the parent company		187,843,117	177,931,421
Non-controlling interests in consolidated subsidiaries		14,598	16,224
Total shareholders' equity		187,857,715	177,947,645
Total liabilities and shareholders' equity		206,225,323	242,337,037

The accompanying notes on pages 25 to 65 form an integral part of these consolidated financial statements.

Fotex Holding S.E. and Subsidiaries
Consolidated Statement of Profit or Loss
Figures in EUR

	Note	2023	2022
		EUR	EUR
Revenue	18, 19	40,258,136	33,366,480
Cost of sales		(641,987)	(598,700)
Gross Profit		39,616,149	32,767,780
Operating expenses and gain	15	(28,646,809)	(21,834,645)
Gain/Loss on disposal of subsidiary undertakings		(202,861)	-
Operating profit		10,766,479	10,933,135
Interest income		551,060	231
Interest expenses	16	(272,088)	(1,438,591)
Income before income tax		11,045,451	9,494,775
Income tax expense	17	(2,282,377)	(1,549,143)
Net income		8,763,074	7,945,632
Attributable to:			
Equity holders of the parent company		8,763,074	7,945,632
Non-controlling interests		-	-
Net income		8,763,074	7,945,632
Basic earnings per share	22	0.20	0.19
Diluted earnings per share	22	0.20	0.19

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The accompanying notes on pages 25 to 65 form an integral part of these consolidated financial statements.

Fotex Holding S.E. and Subsidiaries
Consolidated Statement of Comprehensive Income
Figures in EUR

	Note	2023	2022
		EUR	EUR
Net income		8,763,074	7,945,632
Other comprehensive income:		1,693,404	(3,089,782)
Total comprehensive income/ (loss)		10,456,478	4,855,850
Attributable to:			
Equity holders of the parent company		10,456,478	4,855,850
Non-controlling interests		-	-
		10,456,478	4,855,850

Other comprehensive income is the Exchange gain/(loss) on translation of foreign operations which will be subsequently reclassified to profit or loss on the disposal of the relevant foreign operations.

The accompanying notes on pages 25 to 65 form an integral part of these consolidated financial statements.

Fotex Holding S.E. and Subsidiaries
Consolidated Statement of Changes in Equity
Figures in EUR
for the year ended 31 December 2023

	Issued Capital EUR	Additional Paid-in Capital EUR	Retained Earnings EUR	Translation Difference EUR	Treasury Shares EUR	Total EUR	Non-controlling interests EUR	Total Equity EUR
1 January 2023	**30,543,933**	**25,495,008**	**174,960,731**	**(8,592,511)**	**(44,475,740)**	**177,931,421**	**16,224**	**177,947,645**
Net income 2023	-	-	8,763,074	-	-	**8,763,074**	-	**8,763,074**
Other comprehensive income	-	-	-	1,693,404	-	**1,693,404**	-	**1,693,404**
Total comprehensive income	-	-	8,763,074	1,693,404	-	**10,456,478**	-	**10,456,478**
Purchase of treasury shares (note 14)	-	-	-	-	(929,326)	**(929,326)**	-	**(929,326)**
Sale of preference shares to management. (note 15)	-	-	-	-	384,544	**384,544**	-	**384,544**
Purchase from minority shareholders	-	-	-	-	-	**-**	(1,626)	**(1,626)**
31 December 2023	**30,543,933**	**25,495,008**	**183,723,805**	**(6,899,107)**	**(45,020,522)**	**187,843,117**	**14,598**	**187,857,715**

The accompanying notes on pages 25 to 65 form an integral part of these consolidated financial statements.

Fotex Holding S.E. and Subsidiaries
Consolidated Statement of Changes in Equity
Figures in EUR
for the year ended 31 December 2022

	Issued Capital EUR	Additional Paid-in Capital EUR	Retained Earnings EUR	Translation Difference EUR	Treasury Shares EUR	Total EUR	Non-controlling interests EUR	Total Equity EUR
1 January 2022	**30,543,933**	**25,495,008**	**167,015,099**	**(5,502,729)**	**(43,569,317)**	**173,981,994**	**14,598**	**173,996,592**
Net income 2022	-	-	7,945,632	-	-	**7,945,632**	-	**7,945,632**
Other comprehensive income	-	-	-	(3,089,782)	-	**(3,089,782)**	-	**(3,089,782)**
Total comprehensive income	-	-	7,945,632	(3,089,782)	-	**4,855,850**	-	**4,855,850**
Purchase of treasury shares (note 14)	-	-	-	-	(906,423)	**(906,423)**	-	**(906,423)**
Purchase from Minority shareholders	-	-	-	-	-	-	1,626	**1,626**
31 December 2022	**30,543,933**	**25,495,008**	**174,960,731**	**(8,592,511)**	**(44,475,740)**	**177,931,421**	**16,224**	**177,947,645**

The accompanying notes on pages 25 to 65 form an integral part of these consolidated financial statements.

Fotex Holding S.E. and Subsidiaries
Consolidated Statement of Cash Flows
Figures in EUR

	Note	2023	2022
		EUR	EUR
Cash flows from operating activities:			
Income before income taxes		11,045,451	9,494,775
Depreciation and amortisation	9, 10	6,711,640	5,240,452
Scrapped/written down fixed assets		433,499	-
Scrapped/written down inventories		99,521	-
Scrapped/written down intangibles		910,912	-
Loss/(gain) on disposals of fixed assets and investment properties	9, 10	(52,438)	-
Loss/(gain) on disposals of subsidiary undertakings		202,861	-
Interest income		(551,060)	(231)
Effect of spread of rental related incentives and allowance		-	45,688
Interest expenses	16	272,088	1,438,591
Changes in working capital:			
Accounts receivable and prepayments		(3,469,876)	229,050
Inventories		(9,433)	(205,832)
Accounts payable and other liabilities		1,405,036	(889,671)
Cash generated from operations		16,998,201	15,352,822
Income tax paid		(2,673,177)	(2,704,005)
Net cash flow from operating activities		14,325,024	12,648,817
Cash flows from investing activities:			
Acquisition of investment properties	10	(5,436,630)	(32,890,505)
Acquisition of tangible and intangible assets	9	(241,909)	(2,237,074)
Cash proceeds from disposal of tangible fixed assets		154,162	-
Prepayment for investment acquisition	7	(3,400,000)	-
Other changes of tangible and intangible assets	9	(1,626)	1,626
Interest received		551,060	231
Net cash flow provided by investing activities		(8,374,943)	(35,125,722)
Cash flows from financing activities:			
Interest paid		(272,088)	(886,603)
Repayments of loan received	16	(47,036,021)	(1,400,000)
Purchase of treasury shares	14	(929,326)	(906,423)
Sale of preference shares to management	14	384,544	-
Change in other long term liabilities		-	41,743
Net cash flow from financing activities		(47,852,891)	(3,151,283)
Change in cash and cash equivalents		(41,902,810)	(25,628,188)
Cash and cash equivalents at beginning of the year	5	83,656,881	110,417,472
Effect of foreign currency translation		1,120,819	(1,132,403)
Cash and cash equivalents at end of the year	5	42,874,890	83,656,881

The accompanying notes on pages 25 to 65 form an integral part of these consolidated financial statements.

1. General

Fotex Holding S.E. ("Fotex" or the "Company"), is a European public limited company (société européenne) regulated under the laws of the Grand Duchy of Luxembourg.

The Company is primarily the holding company of a group of subsidiaries (Fotex and its subsidiaries, hereafter the "Group") incorporated in Luxembourg, the Netherlands and Hungary and engaged in a variety of property management, manufacturing, retailing and other activities.

Fotex Holding S.E. is the parent of the Group. Except for Upington Investments S.à r.l., which is registered in Luxembourg, and Fotex Netherlands B.V., FN2 B.V., FN3 B.V., FN5 B.V. and Long Term CRE Fund B.V. which are registered in the Netherlands, all subsidiaries of the Group are registered and operate in Hungary.

The Group's principal place of business is Luxembourg, the Netherlands and Hungary.

There has been no change in the name of the reporting entity from the end of the preceding reporting period.

The Parent company of the group is Blackburn International S.à.r.l. The ultimate Parent company of the group is also Blackburn International S.à.r.l.

The Company's registered address is 28, avenue Pasteur, L-2310 Luxembourg, Luxembourg.

The ownership of consolidated subsidiaries, after considering indirect shareholdings, is:

Subsidiaries	Principal Activities	Ownership (%)		Registered Address
		31/12/2023	31/12/2022	
Ajka Kristály Üvegipari Kft.	Crystal manufacturing and retail	100.00	100.00	4 Alkotmány utca, 8400 Ajka, Hungary
Fotex Netherlands B.V.	Property management	100.00	100.00	13 Sarphatlkade, WV1017 Amsterdam, Netherland
FN2 B.V.	Property management	100.00	100.00	13 Sarphatlkade, WV1017 Amsterdam, Netherland
FN3 B.V.	Property management	100.00	100.00	13 Sarphatlkade, WV1017 Amsterdam, Netherland
FN5 B.V.	Property management	100.00	100.00	13 Sarphatlkade, WV1017 Amsterdam, Netherland
Fotexnet Kft.	Internet retail and other services	100.00	100.00	1 Palatinus. út, 1025 Budapest, Hungary
Hungaroton Music Zrt.	Music archive	99.21	99.21	45-49 Reitter Ferenc utca, 1135 Budapest, Hungary
Keringatlan Kft.	Property management	99.99	99.99	1 Palatinus. út, 1025 Budapest, Hungary
Long Term CRE Fund B.V.	Property management	100.00	100.00	13 Sarphatlkade, WV1017 Amsterdam, Netherland
Sigma Kft.	Property services	100.00	100.00	12 Nagy J. utca, 1126 Budapest, Hungary
Székhely 2007 Kft.	Property services	99.27	99.27	1 Palatinus. út, 1025 Budapest, Hungary
Arany Juhár Időstthon Kft	Property management	-	99.90	Agárd-Gárdonyi utca 98. 2484 Gárdony, Hungary
Upington Investments S.à r.l.	Investment holding	100.00	100.00	28 avenue Pasteur, L-2310 Luxembourg, Luxembourg

1. General (continued)

In June 2021, Fotex established a new group company Arany Juhár Idősotthon Kft. The purpose of the company was to run a retirement home for third party customers using a property owned by the Group. During the year management ended this activity, and transferred the purpose built properties to Keringatlan Kft as of December 31st at a value of EUR 2,569,100 after having recognised an impairment charge of EUR 715,505 being the market value at the date of transfer. In early December 2023, the Board of directors approved the decision to commence the liquidation of Arany Juhár Idősotthon Kft. As a result, the company has been excluded from the Group as of December 31st, 2023.

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared on a historical cost basis. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The consolidated financial statements are presented in EUR, except where otherwise indicated.

The Consolidated financial statements of Fotex for the year ended December 31st, 2023 were authorized for issue by the Board of Directors on March 7th, 2024.

Statement of compliance

The subsidiaries of the Group maintain their official accounting records and prepare their individual financial statements in accordance with the accounting regulations of their country of registration. The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") as endorsed by the EU.

Effective 1 January 2005, the Group prepares its consolidated financial statements in accordance with IFRS as adopted by the EU. At 31 December 2023 there is no difference in the policies applied by the Group between IFRS and IFRS that have been adopted by the EU, except if mentioned otherwise. The Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023 (see Note 4 for more details).

As a result of Fotex's transformation to an S.E. (Societas Europaea) from 1 January 2009, Fotex Holding S.E. became a European public limited company. Fotex moved its registered office to Luxembourg and is regulated under the laws of the Grand Duchy of Luxembourg. The reporting currency of the consolidated financial statements changed to EUR.

New standards, interpretations and amendments adopted from 1 January 2023

The following amendments are effective for the period beginning 1 January 2023:

- IFRS 17 Insurance Contracts;

- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);

- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);

2. Basis of preparation (continued)

New standards, interpretations and amendments adopted from 1 January 2023 (continued)

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and

- International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively).

These amendments to various IFRS Accounting Standards are mandatorily effective for reporting periods beginning on or after 1 January 2023. See the applicable notes for further details on how the amendments affected the Group.

IFRS 17 Insurance Contracts

IFRS 17 was issued by the IASB in 2017 and replaces IFRS 4 for annual reporting period beginning on or after 1 January 2023.

These amendments have no effect on the Consolidated financial statements of the Group.

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose ‘significant accounting policies’ with ‘material accounting policy information’. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the Consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group. Management reviewed the accounting policies and made updates to the information disclosed in Note 4 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors)

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors.

These amendments had no effect on the Consolidated financial statements of the Group.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

These amendments had no effect on the Consolidated financial statements of the Group.

2. Basis of preparation (continued)

New standards, interpretations and amendments adopted from 1 January 2023 (continued)

International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules.

Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final Amendments (the Amendments) International Tax Reform – Pillar Two Model Rules, in response to stakeholder concerns on 23 May 2023.

The Amendments introduce a mandatory exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The exception is effective immediately and retrospectively. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes.

The Board of Directors has determined that the Group is not within the scope of OECD's Pillar Two Model Rules and the exception to the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two income taxes is not applicable to the Group.

New standards, interpretations, and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2024:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);

- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and

- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)

The following amendments are effective for the period beginning 1 January 2025:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

The Group does not expect any other standards issued by the IASB, but are yet to be effective, to have a material impact on the Group.

3. Material Accounting Policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of Fotex and its subsidiaries as at 31 December 2023. Control is achieved when Fotex is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, Fotex controls an investee if, and only if, it has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When Fotex has less than a majority of the voting or similar rights of an investee, Fotex considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- Fotex's voting rights and potential voting rights

Fotex reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when Fotex obtains control over the subsidiary and ceases when Fotex loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date Fotex gains control until the date when Fotex ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Fotex's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If Fotex loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

3. Material Accounting Policies (continued)

Foreign currency translation

The functional currency of the Group’s subsidiaries included in the consolidation is the Hungarian Forint (“HUF”) – except for the subsidiaries outside of Hungary, whose functional currency is EUR. Considering that the presentation currency is EUR, it is necessary to convert the elements of statement of financial position and income statement of subsidiaries from HUF to EUR.

Assets and liabilities have been converted to EUR using the MNB (Hungarian National Bank) FX rate as at 31 December 2023: 382.78 HUF/EUR (31 December 2022: 400.25). The profit or loss statement is converted to EUR using the Hungarian National Bank average FX rate of HUF/EUR 381.95 (31 December 2022 HUF/EUR 391.33. The exchange difference in translation of foreign operations is shown in the other comprehensive income.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. 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. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less. Cash and cash equivalents comprise cash on hand, deposits held at call with banks, investments in marketable securities that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above.

Inventories

Inventories are valued at the lower of cost or net realisable value on a weighted average basis after making allowance for any obsolete or slow-moving items.

Materials and merchandise goods are valued at purchase cost on a weighted average basis. Purchase costs include purchase price, trade discounts, unrecoverable taxes, transport and other cost which are directly attributable to purchase of the raw materials and merchandising goods.

The value of work in progress and finished goods includes cost of direct materials and labour and a proportion of overheads in manufacturing subsidiaries but excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3. Material Accounting Policies (continued)

Revenue from contracts with customers (continued)

Sale of goods

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when the customer obtains control of that asset. Revenue is measured at fair value of consideration received or receivable. The revenues represent sales at invoiced amounts net of value added tax and discounts. The revenue from selling of goods is generated mainly by selling crystal and glass products, and other consumer products. The Group satisfies its performance obligations upon deliveries of such goods. The contracts with customers do not contain any financing components and the consideration does not contain any variable part.

Service charges and expenses recoverable from tenants

Income arising from expenses indirectly recharged to tenants is recognised in the period in which the expense can be contractually recovered and at fair value of consideration received or receivable. Service charges and other such receipts are included gross of the related costs in revenue, as the directors consider that the Group acts as principal in this respect. The Group satisfies its performance obligations over the related period of the services. The contracts with customers do not contain any financing components and the consideration does not contain any variable part.

When an entity that is a principal satisfies a performance obligation, the entity recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. When an entity that is an agent satisfies a performance obligation, the entity recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party. An entity's fee or commission might be the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party. Income arising from expenses directly recharged to tenants is recognised net of the related costs, as the management consider that the Group acts as agent in such cases.

Ancillary mall revenue

Revenue is measured at fair value of consideration received or receivable. The revenues represent sales at invoiced amounts net of value added taxes and discounts. The ancillary revenue arising from operating of shopping malls refers to the revenue generated from cinema ticket and sundry food and beverage sales, as well as revenue generated from operating a fitness centre and similar services.

The Group satisfies its performance obligations upon the provision of the service associated with the service being delivered i.e. presentation of the film shown, entrance and use of the fitness facilities. The contracts with customers do not contain any financing components and the consideration does not contain any variable part.

Revenue is recognised at the time of the provision of the service.

3. Material Accounting Policies (continued)

Revenue from contracts with customers (continued)

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

The Group continuously monitors the collection of its receivables and takes early actions in case of delays in payments. As a result, the volume of overdue receivables is very low, less than 1 % of the invoiced revenues. In case of a major delay, the Group evaluates the collectability of receivables individually and accounts for write-off to the necessary level, on a case-by-case basis. Following these actions, the Group considers the residual risk of non-payment as insignificant, therefore the nominal value of the non-impaired receivables is considered as fair value. The Group evaluates the payment trends annually.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group performs under the contract.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria for rental income must also be met before revenue is recognised:

Rental income receivable from operating leases less the Group's initial direct costs of entering into the leases is recognised on a straight-line basis over the term of the lease. Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the 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. Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the income statement when they arise.

3. Material Accounting Policies (continued)

Financial instruments

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

Management uses judgements during initial recognition, subsequent measurement, amortisation, impairment and de-recognition of financial instruments. Management’s judgements that have the most significant effect on the financial statements are disclosed below in each sub-section in detail.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of certain trade receivables, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

3. Material Accounting Policies (continued)

Financial instruments (continued)

Subsequent measurement

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The classification and measurement of the Group's financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's Trade and other receivables (including mainly tax receivables) and other financial assets (both current and non-current, including mainly deposits received from tenants).

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Impairment of financial assets.

IFRS 9 requires the Group to record an allowance for expected credit loss (ECL) for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

3. Material Accounting Policies (continued)

Financial instruments (continued)

For Contract assets and Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (i.e., loans and debt securities at FVOCI), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, include directly attributable transaction costs.

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

3. Material Accounting Policies (continued)

Financial instruments (continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 16.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Property, plant and equipment

Property, plant and equipment is stated at purchase price or production cost less accumulated depreciation and impairment losses, if any. Production costs for self-constructed assets include the cost of materials, direct labour and an appropriate proportion of production overheads. Replacements and improvements, which prolong the useful life or significantly improve the condition of the asset are capitalised. Maintenance and repairs are recognised as an expense in the period in which they are incurred.

Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	Years
Buildings	50
Plant and equipment	7-12.5
Vehicles	5
Computer equipment	3

The cost of properties retired or otherwise disposed of, together with the accumulated depreciation provided thereon, is eliminated from the accounts. The net gain or loss is recognised as other operating income or expense.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If such an indication exists and where the carrying value exceeds the recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognised in the income statement as an operating expense.

3. Material Accounting Policies (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate, at each financial year-end.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition under the cost model assets are recognised at cost and depreciated systematically over their useful economic life. Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	Years
Buildings and investment properties in Hungary	20
Buildings and investment properties in the Netherlands	30

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

The carrying amounts are reviewed also when events or changes in circumstances indicate that the carrying value may not be recoverable. If such an indication exists and where the carrying value exceeds the recoverable amount, the assets or cash generating units are written down to their recoverable amount. The fair value of investment properties is assessed using the market comparable or the discounted cash flow method. Impairment losses are recognised in the income statement as an operating expense. The carrying amounts of investment properties are reviewed for impairment based on the fair values of the individual assets determined by an external valuation process. Impairment is accounted for if the fair value of an asset is lower than the carrying amount. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Upon every acquisition of investment property, the Company determines the individual components that have different useful lives and thus are depreciated separately. The Company determined so far two key components: land which is not depreciated and the buildings that are depreciated over 20 to 30 years. Upon acquisition, the Company investigates if a further separation of components is necessary. The basis of this investigation is the physical status of the building and its built-in equipment. In case the built-in equipment is worn out to an extent that it requires a replacement within five years, it shall be treated as a separate component and shall have a useful life based on its estimated remaining usage. Otherwise, the equipment is considered as a vital part of the building and its useful life is determined in line with the building's useful life. Currently the Company has buildings where all the built-in equipment has the same useful life as its relevant building. Management experience on the real property operations market supports the above assumptions.

3. Material Accounting Policies (continued)

Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilised.

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

3. Material Accounting Policies (continued)

Income taxes (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Subsidiaries of the Group domiciled in Hungary pay local business tax to local municipalities at percentages based on the physical location of their operations in Hungary. The base of the local business tax is the revenue as decreased by the cost of goods sold, raw material expenses and certain other expense items. Local business tax is classified as an income tax expense.

Treasury shares

Fotex ordinary and dividend preferred shares repurchased are included in shareholders' equity and are classified as treasury shares. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own shares. Accordingly, any consideration paid or received in connection with treasury shares is recognised directly in equity.

Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date. The fair value of non-financial assets including investment properties is determined for the purpose of the impairment test and for disclosure purposes. Investment property fair value is disclosed in Note 10.

As per IFRS 13 definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

3. Material Accounting Policies (continued)

Fair value measurement (continued)

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

4. Material Accounting Judgements, Estimates and Assumptions

Judgements

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating Lease Commitments – Group as Lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 12.

Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable income together with future tax planning strategies. Further details are given in Note 17.

Fair Value of Investment Properties

The Group has determined and presented in the notes the fair value of investment property either as the present value of the estimated future cash flows generated from leasing such assets or using comparable prices. Future cash flows were determined separately for the Dutch and Hungarian commercial properties using average rental fees currently realisable by the Group; present values were calculated using a uniform discount rate that is considered by management as appropriate for the valuation of real estate property on the relevant markets. Further details are given in Note 10.

4. Material Accounting Judgements, Estimates and Assumptions (continued)

Impairment of Intangible Assets

The Group determines whether intangible assets with indefinite useful lives such as merchandising and media rights are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 11.

Share based payments

During the year the Group introduced a discretionary cash bonus scheme for top management, executed in the form of preference shares, previously held in treasury. The amounts paid are entirely at the discretion of the shareholder approved at the shareholders meeting to close the financial year. In 2023 an amount of EUR 90,000 was paid under this scheme in the form of dividends which has been shown as part of the salary expense recorded in the consolidated profit or loss. Further details are given in Note 15.

5. Cash and Cash Equivalents

Liquid assets held at banks bear daily floating interest rates and are deposited for the short-term (1 day to 3 months) in anticipation of the liquidity needs of the Group. Such deposits yield interest according to the applicable short-term rates.

Cash includes fixed deposit of EUR 30,000,000 at rate 3.5 % (in 2022 cash included EUR 1,724,694 at rate 0 %).

A significant amount of cash is held with the following institutions:

	2023		2022	
	Rating	Cash balance	Rating	Cash balance
		EUR		EUR
ING**	A1	34,322,630	A+	74,292,571
Oberbank*	A	7,408,025	A	7,205,040
Raiffeisen**	A-	290,631	A3	1,628,062
Other		4,655,426		3,614,569
Total cash held at banks		46,676,712		86,740,242

* rated by S&P
** rated by Moody's

The reconciliation of cash held at banks for 2023 and 2022 is set out below:

	Note	2023	2022
Cash and cash equivalents	5	42,874,890	83,656,881
Cash deposit - current	6	1,206,745	682,481
Cash deposit - non current	6	2,595,077	2,400,880
Total cash held at banks		46,676,712	86,740,242

The value of cash and short-term deposits is EUR 42,874,890 (31 December 2022: EUR 83,656,881). Due to their short-term nature, the carrying value of cash and cash equivalents approximates their fair value.

6. Other Financial Assets

	31 December 2023	31 December 2022
Current	EUR	EUR
Cash deposits connected to rented properties	1,206,745	682,481
Other short-term investments	121,883	126,160
Other current financial assets, total	1,328,628	808,641

6. Other Financial Assets (continued)

Non-current	31 December 2023 EUR	31 December 2022 EUR
Cash deposits connected to rented properties	2,595,077	2,400,880
Long term rent free period accrual	489,009	606,712
Unquoted equity instruments	47,113	47,113
Other non-current financial assets, total	3,131,199	3,054,705

Cash deposits connected to rented properties:

The Group has received 2 to 3 months deposits from its tenants which are held at a bank (Note 13). Deposits are only repayable if the related rental contract is terminated. Based on the historical and expected rental cancellation rate, the Group has classified the deposits which are expected to be repayable in more than one year to long-term, and the deposits which are expected to be repayable within 3-12 months were classified as short-term**.**

The carrying value of other financial assets approximates their fair value.

7. Accounts Receivable and Prepayments

	31 December 2023 EUR	31 December 2022 EUR
Accounts receivable	4,968,822	2,642,729
Impairment loss on accounts receivable	(75,553)	(91,349)
Tax assets	467,166	448,277
Other receivables	874,352	385,423
Prepayment for the acquisition of investments (Note 24)	3,400,000	-
Prepayments/accrued income	1,098,223	1,167,107
Impairment loss on other receivables	(8,460)	(8,460)
Total	10,724,550	4,543,727

Tax assets are mainly VAT receivable and are typically received within three months.

Impairment loss on debtors and on other receivables at 31 December 2023 is EUR 84,013 (31 December 2022: EUR 99,809).

Prepayments and accrued income is EUR 4,498,223 (2022 EUR 1,167,107).

Due to their short-term nature, the carrying value of accounts receivable and prepayments approximates their fair value.

8. Inventories

	31 December 2023	31 December 2022
	EUR	EUR
Merchandise and finished products	5,965,530	5,838,364
Materials	239,058	234,750
Work in progress	840,064	942,380
Inventories, gross	7,044,652	7,015,494
Impairment of merchandise and finished products	(2,811,318)	(2,727,353)
Impairment of work in progress	(326,268)	(290,987)
Impairment of inventories	(3,137,586)	(3,018,340)
Total inventories, net	3,907,066	3,997,154

The Group has recorded total impairment on inventory of Euro 3,137,586 (2022 Euro 3,018,340)

9. Property, Plant and Equipment

Movements in property, plant and equipment during 2023 and 2022 were as follows:

	Land, buildings	Furniture, machinery, equipment, fittings	Construction in progress*	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2023	5,638,694	4,371,103	1,492,004	11,501,801
Additions and capitalizations	472,462	786,731	-	1,259,193
Impairment	(303,037)	-	-	(303,037)
Transfer to Investment properties	(3,896,515)	-	-	(3,896,515)
Other decrease	-	(3,650)	(1,492,004)	(1,495,654)
Disposals and write downs	(115,160)	(265,424)	-	(380,584)
Currency gain/(loss) arising on retranslation	124,860	185,242	-	310,102
31 December 2023	1,921,304	5,074,002	-	6,995,306
Accumulated depreciation:				
1 January 2023	(1,383,642)	(3,333,847)	-	(4,717,489)
Depreciation expense	(27,514)	(399,707)	-	(427,221)
Transfer to Investment properties	1,088,918	-	-	1,088,918
Disposals and write downs	-	211,103	-	211,103
Currency gain/(loss) arising on retranslation	(13,433)	(123,100)	-	(136,533)
31 December 2023	(335,671)	(3,645,551)	-	(3,981,222)
Net book value				
31 December 2023	1,585,633	1,428,451	-	3,014,084
31 December 2022	4,255,052	1,037,256	1,492,004	6,784,312

* Construction in progress shows the net movement of current year.

During 2023, the activities of the Group in Arany Juhár Időstthon Kft were terminated, and the properties transferred to Keringatlan Kft. at a value of Euro 2,569,100 after recording an impairment charge of Euro 715,505. As these properties are expected to be rented out to third party tenants they have been shown as a transfer to Investment Properties. This is the main component of the transfer to investment properties.

The Property, Plant and Equipment does not contain the right-of-use assets.

9. Property, Plant and Equipment (continued)

	Land, buildings	Furniture, machinery, equipment, fittings	Construction in progress*	Total
	EUR	EUR	EUR	EUR
Cost:				
1 January 2022	2,155,737	4,922,425	81,880	7,160,042
Additions and capitalizations	395,388	383,290	1,448,803	2,227,481
Transfer from Investment properties	3,610,585	-	-	3,610,585
Other decrease	(88,534)	-	-	(88,534)
Disposals and write downs	(37,624)	(534,809)	-	(572,433)
Currency gain/(loss) arising on retranslation	(396,858)	(399,803)	(38,679)	(835,340)
31 December 2022	5,638,694	4,371,103	1,492,004	11,501,801
Accumulated depreciation:				
1 January 2022	(397,911)	(3,793,827)	-	(4,191,738)
Depreciation expense	(29,487)	(343,195)	-	(372,682)
Transfer from Investment properties	(1,088,918)	-	-	(1,088,918)
Disposals and write downs	102,636	531,358	-	633,994
Other increase	652	-	-	652
Currency gain/(loss) arising on retranslation	29,386	271,817	-	301,203
31 December 2022	(1,383,642)	(3,333,847)		(4,717,489)
Net book value				
31 December 2022	4,255,052	1,037,256	1,492,004	6,784,312
31 December 2021	1,757,826	1,128,598	81,880	2,968,304

* Construction in progress shows the net movement of current year.

10. Investment Properties

The Group controls a significant property portfolio. In prior years, a significant proportion of this portfolio was utilized by the Group companies as retail outlets and for other operating activity purposes. The Group gradually abandoned its retail activity and has become an investment property company by leasing an increasing proportion of its real estate portfolio to third parties. Investment property is measured in the consolidated statement of financial position at historic cost less accumulated depreciation.

Movements in investment properties measured at cost in 2023 and 2022 were as follows:

	31 December 2023	31 December 2022
Cost:	EUR	EUR
Opening balance	198,539,463	172,003,238
Additions	5,436,630	32,890,505
Transfer (to)/from property, plant and equipment	2,629,301	(3,610,585)
Other increase	-	1,248,697
Currency gain/(loss) arising from retranslation	2,163,815	(3,992,392)
Closing balance	208,769,209	198,539,463
Accumulated depreciation:		
Opening balance	(68,684,142)	(66,513,963)
Depreciation expense	(6,465,996)	(5,307,286)
Transfer to property, plant and equipment	-	1,088,918
Other increase	-	(557,539)
Currency gain/(loss) arising from retranslation	(1,399,506)	2,605,728
Closing balance	(76,549,644)	(68,684,142)
Net book value:		
Closing balance	132,219,565	129,855,321
Opening balance	129,855,321	105,489,748

2023 transactions

There were no significant property transactions in 2023.

The Group transferred a property to its investment property portfolio on liquidation of Arany Juhar Otthona Kft. from property, plant and equipment. The Group intends to rent out this property to a professional operator in the future. This is the main component of the transfer from property, plant and equipment.

2022 transactions

On December 29th, 2022, Fotex Netherlands and FN2, together via a partnership agreement, signed a purchase agreement with Páthé Theatres B.V. to acquire 100% ownership of the Páthé Arena, a cinema complex in Amsterdam at a total cost of Euro 31,942,775. The Group transferred a property from its investment property portfolio to Arany Juhar Otthona Kft. which is shown as property, plant and equipment. This is the main component of the decrease.

10. Investment Properties (continued)

The Group determines the fair value of investment properties once a year, and the fair value is presented in the consolidated financial statements as of 31 December.

All fair values for both 2023 and 2022 have been determined using level 3 "Significant Unobservable Inputs" in the fair value measurement hierarchy performed as of 31st December of the respective years.

During 2023 management has revised the classification of its investment property portfolio to provide a more accurate presentation of the investment properties of the Group.

The fair value of investment properties at 31 December 2023 are set out below:

Category	Net book value	Estimated fair value
	EUR	EUR
Dutch commercial properties	107,479,935	137,423,397
Hungarian commercial properties	24,739,630	161,578,974
Total investment properties	132,219,565	299,002,371

The fair values of investment properties at 31 December 2022 are set out below:

Category	Net book value	Estimated fair value
	EUR	EUR
Dutch commercial properties	111,794,044	162,935,257
Hungarian commercial properties	18,061,277	168,562,873
Total investment properties	129,855,321	331,498,130

The Dutch commercial properties contain mainly office buildings and a cinema complex.

The Hungarian commercial properties contain a combination of high street retail properties and warehouses in Budapest and major cities in Hungary, a shopping mall in Budapest, and other sundry assets primarily arising from the historic ownership of a retail and manufacturing business acquired during the privatisation of the late 1990's early 2000's.

The fair value of investment property is determined based on a combination of management assessment and external real estate valuation (Colliers Hungary and Formianum Kft.) using recognised valuation techniques. This approach is consistent with prior years.

These techniques comprise primarily the discounted cash flow and market capitalisation methods where the present values of the future cash flows are determined separately based on the currently realised rental rates.

The external valuer is part of a global real estate advisory group specialising in the valuation of commercial property and holds a recognised and relevant professional qualification and with recent experience in the location and category of the investment property being valued.

10. Investment Properties (continued)

Key valuation assumptions for 2023

The present values of the investment properties have been calculated based on a market yield rate which is suitable to measure properties in the relevant market.

- Rents on investment properties have been calculated based on the contractual or estimated rental fees For the Dutch properties the valuation assumed a 5%-15% adjustment factor depending upon the location of the property with the lower end rate applying to cities in the G5 area and the remainder for those outside. The adjustment factor for the Hungarian properties ranged from 10% to 30% depending upon location and tenancy status.

- Void period adjustments were considered for all properties and applied for those, mainly in the Netherlands, where vacant space exists. These void periods ranged from 12 to 24 months depending upon the property (2022 no void period adjustments were applied).

- The used yield rate per property item located in Hungary is between 9.32% and 12% depending on the type and location of the property (2022: 8.32%-11%). For the Dutch properties, the calculated yield rate is between 7.45% and 8.98% (2022: 7%-8.15%). The yield has increased over 2022 primarily due to increasing interest rates in the Eurozone area and increasing uncertainty affecting investor sentiment.

- The yields applied in the valuation were determined by management from publicly available market information in both the Netherlands and Hungary. For the Netherlands specific yield for the G5 area (Amsterdam, Rotterdam, The Hague, Utrecht and Eindhoven) was obtained and applied. For those properties outside the G5, management applied a proxy yield adjustment for the country as a whole. This information accrued on a quarterly basis, where available, to create a yield evolution over the prior year. In Hungary the yield evolution over prior year was also obtained by management from publicly available market information and validated by a third party real estate advisory company.

- With the exception of the Hungarian shopping mall, a direct capitalisation calculation on an annuity basis formed the basis of the valuation, as adjusted by situational factors being location, vacancy and the condition of the property. These factors ranged from 5% to 30% (2022 5% to 30%). For the Hungarian shopping mall a capitalisation rate of 9.5% and a discount rate of 12.5% were applied.

- For those limited number of properties, mainly land in Hungary and certain incidental Hungarian properties obtained from the privatisation process from the 1990's such as vacation rentals and workers' hostel etc., the Board of Directors has reviewed the prior year valuation and confirmed those values remain valid for 2023.

- Rents are predominantly set in EUR in the rental contracts. Where rent is set in HUF, the related rent has been calculated at a 381.95 HUF/EUR exchange rate (2022 400.25 HUF/EUR).

The correlation between the most probable change in the key assumptions and the fair value of the property portfolio is illustrated by the sensitivity analysis below for the valuation based on the comparable market price method:

	2023	2022
	EUR	EUR
Yield rate drops by 50 bps	17,552,586	27,181,305
Rent rate drops by 5%	(12,792,804)	(2,202,438)

10. Investment Properties (continued)

Key valuation assumptions for 2023 (continued)

The Board of Directors considers the yield variation of 50 bps as a normal variation on a stable market. A drop of rent rate by 5% may happen on an oversupplied market thus fairly representing the risk of revenue fall.

The following table discloses the income from the rental of investment properties net of unrecoverable costs:

	2023	2022
	EUR	EUR
Revenues from the rent of investment properties	26,776,070	22,302,393
Unrecoverable net operating costs	(1,307,854)	(1,065,994)
Net income from the rent of investment properties	25,468,216	21,236,399

11. Intangible Assets

Intangible assets consist primarily of the groups holding of media and merchandising rights in FTC Labdarúgó Zrt of EUR 763,214 (2022 EUR 1,658,396).

As part of discontinuing its ownership of FTC Labdarúgó Zrt., (a company that operates and manages the football club „FTC”) acquired in 2001 (at a cost of HUF 1.9 billion – ca, EUR 7 million), Fotex acquired certain merchandising rights in FTC (media and brand merchandise, distribution and promotion rights (billboards) in 2003 for an unlimited period. Owing to changes in Hungarian legislation, as of 1 January 2012, all rights related to the Club's address, logo and name reverted to the FTC Sport Association. Such reversion is due compensation by FTC, the amount of which will be determined based on the fair value of the rights at the time of reversal by a court competent to act based on the location of the Club's headquarters. Connected to this, in 2016 Fotex was awarded the use of a Skybox and 8 VIP tickets at the Stadium in Budapest which it is able to utilise without any restrictions.

In consideration of this long-lasting legal procedure an impairment of EUR 5,008,798 has been recorded in prior years

During the year, there has been a number of court cases in Hungary regarding Fotex's rights that have resulted in a final settlement. As these amounts were lower than those previously awarded, the Board of Directors have adjusted the value of the asset and provided an additional write down of EUR 895,181. The remaining value, carried in the consolidated financial statements represents amounts expected to be received in the future and the fair value of the Skybox and VIP tickets in use by Fotex.

12. Goodwill Arising on Acquisition

Goodwill is allocated exclusively to Keringatlan for both 2023 and 2022.

Goodwill is tested for impairment at least annually.

The goodwill is allocated to the group of cash generating units that constitute the property portfolio of Keringatlan Kft. which is the most significant investment property group company. At the year-end, the Group considered whether there were any indicators of impairment of the value of goodwill. The Group estimated the value in use of the cash generating units attributable to goodwill. Based on this calculation no impairment loss was recognised on goodwill in 2023. The Board of Directors estimates that goodwill is not impaired even in case of the potential changes in the assumptions of the underlying valuation model, since the fair values of the investment properties, to which the goodwill relates, are significantly higher than the book values of the properties.

13. Accounts Payable, Other Liabilities and Provision

	31 December 2023	31 December 2022
	EUR	EUR
Trade payables	516,681	1,371,376
Taxes payable	3,121,209	853,306
Advances from customers	-	6,811
Accrued expenses	3,713,556	2,765,698
Deferred rental income	2,914,084	2,871,740
Amount payable to employees	148,310	143,885
Deposits from tenants	354,045	354,045
Other liabilities	271,533	339,699
Total accounts payable and other current liabilities	11,039,418	8,706,560

Terms and conditions of the above liabilities:

Trade payables are non-interest bearing and are typically settled on a 20 to 30-days term.

Other payables are non-interest bearing and have an average term of 1 to 3 months.

Payables to employees are non-interest bearing and represent one monthly salary with contributions.

	31 December 2023	31 December 2022
	EUR	EUR
Other long-term liabilities	3,801,822	3,083,691

Deposits from tenants are payable typically within 30 days of the end date of the underlying rental contract.

The Group has received 2 to 3 months deposits of EUR 3,801,822 (2022: EUR 3,083,361 from its tenants which are repayable if the related rental contract is terminated. Based on the historical and expected rental cancellation rate, the Group has classified as other long-term liabilities those deposit liabilities which are expected to be repayable in more than one year EUR 2,595,077 (2022: EUR 2,400,880 and the part which is expected within a year was classified as short-term tenant deposit liabilities EUR 1,206,745 (2022: EUR 682,481) (Note 6).

Deferred income is EUR 2,914,084 (2022 EUR 2,871,740).

Accrued expenses is EUR 3,713,556 (2022 EUR 2,765,698).

Taxes payable is EUR 3,121,209 (2022 EUR 853,306)

Due to their short-term nature, the carrying value of Accounts Payable, Other Liabilities and Provision approximates their fair value.

13 Accounts Payable, Other Liabilities and Provision (continued)

Other liabilities include the following:

	31 December 2023 EUR	31 December 2022 EUR
Dividend payable	138,773	139,034
Liabilities against social security	4,772	71,831
Other short term liabilities	127,988	128,834
Total other liabilities	271,533	339,699

14. Share Capital and Reserves

Share capital

The Company's approved and issued share capital totals EUR 30,543,933 consisting of shares with a face value of EUR 0.42 each. At 31 December 2023, the Company's issued share capital included 70,723,650 ordinary shares and 2,000,000 dividend preferred shares (31 December 2022: 70,723,650 ordinary shares and 2,000,000 dividend preferred shares).

The "dividend preferred shares" carry the same rights as ordinary shares in the event of liquidation or dissolution. They entitle the holder to an annual dividend determined by the General Meeting, but do not carry voting rights.

Holders of dividend preferred shares are not entitled to any rights or dividends other than those granted to them by the General Meeting. They are paid once a year. Interim dividends may only be paid if the conditions required for such a distribution are met.

Treasury shares

In April 2023, the Group sold 900,000 dividend preference shares to key members of management at 0.42 EUR per share (Note 15). The 1,100,000 dividend preferred shares issued by the Company which are shown as part of "Issued capital" with total face value of EUR 462,000 in 2023; (2022: 2,000,000 preference shares with a face value of EUR 840,000) are also shown in "Treasury shares".

As at 31 December 2023, the Company held 29,552,089 treasury shares (of which 96,28% - 28,452,089 are ordinary shares and 3,72% - 1,100,000 are dividend preferred shares) at a historic cost of EUR 45,020,522 (31 December 2022: 30,146,110 shares – of which 93.37% - 28,146,110 are ordinary shares and 6.63% - 2,000,000 are dividend preferred shares – at a historic cost of EUR 44,475,740).

During 2023, the Company purchased 305,979 of its ordinary shares (2022: 318,628 shares) at acquisition cost of EUR 929,326 and sold 900,000 dividend preference shares to key members of management at EUR 384,544 (2022: Nil) on an arm's length basis.

15 Operating Expenses and Gain

Operating expenses and gain include the following:

	2023	2022
	EUR	EUR
Payments to personnel, including directors' fees	(4,220,101)	(3,374,439)
Material and service type expenses	(12,868,688)	(9,306,986)
Depreciation and amortisation charge	(6,725,562)	(5,910,742)
Other expenses, net*	(4,832,458)	(3,242,478)
Total operating expenses	(28,646,809)	(21,834,645)

Depreciation and amortisation is EUR 6,725,562 (2022 EUR 5,910,742).

* Other expenses (net) include the following:

	2023	2022
	EUR	EUR
Realised and unrealized FX differences (net)	(152,454)	356,180
Taxes other than income tax	(2,477,430)	(2,107,786)
Impairment and scrapping of tangible and intangible assets	(983,505)	(15,900)
Impairment and scrapping of inventories	(222,343)	(136,341)
Other expenses/income	(996,726)	(1,338,631)
Total other expenses, net	(4,832,458)	(3,242,478)

In April 2023, the Group issued 900,000 preference shares from treasury to certain members of senior management at the operating subsidiaries. At the same time a dividend of EUR 90,000 on these shares was approved by the shareholders meeting and subsequently settled in cash. As in substance this dividend is a discretionary cash bonus (Note 4), then it has been included in the payments to personnel above.

The Group has recorded a total impairment expense of EUR 1,205,848 (2022 EUR 152,241).

16. Interest-bearing Loans and Borrowings

The details of the outstanding loans are as follows:

Item	Start date	End date	Loan EUR	Interest rate	Long-term portion at 31 December 2023 EUR	Current portion at 31 December 2023 EUR	Long-term portion at 31 December 2022 EUR	Current portion at 31 December 2022 EUR
III. mortgage	20/07/2016	20/07/2023	70,000,000	fixed 1.79% p.a.	-	-	-	47,036,021
Total					-	-	-	47,036,021

Interest expense for the year was EUR 272,087 (2022 EUR 1,438,591).

In April 2023, the Group repaid all its outstanding debt in accordance with the terms of the loan agreement.

17. Income Tax

Income tax expense:	2023	2022
	EUR	EUR
Tax expense	4,411,704	1,652,101
Deferred tax expense / (income)	(2,129,327)	(102,958)
Income tax expense	2,282,377	1,549,143

17. Income Tax (continued)

The actual corporate income tax rate departs from the rate specified in the tax law due to the following:

	2023	2022
	EUR	EUR
Income before minority interests and income taxes	11,045,451	9,494,775
Tax at Luxembourg rate	2,754,736	2,367,997
Effect of tax losses for which no corresponding deferred tax asset recognized	626,035	(26,699)
Effect of tax rate differences	(956,730)	(1,259,900)
Hungarian sports relief	(8,630)	-
Effect of change in tax rate for deferred tax	-	162,257
Prior year tax correction in the Netherlands	-	166,849
Effect of other permanent differences	(133,033)	138,639
Income tax expense	2,282,377	1,549,143

The Group has used the domestic Luxembourg tax rate for 2023 of 24.94 % for the purposes of the tax reconciliation above (2022: Luxembourg tax rate of 24.94% was used).

The tax rate of the taxable profit is 9% in Hungary (2022 9%).

The income tax rate applicable to Fotex Holding S.E. is 24.94% (2022: 24.94%) and Upington Investments S.à.r.l.is 24.94% (2022: 24.94%).

The income tax rate for Fotex Netherlands B.V., FN2 B.V., FN3 B.V., FN5 B.V. and Long Term CRE Fund B.V. is on the first EUR 200,000 of taxable profit is 19%, above this amount 25.8% (2022: the threshold was EUR 395,000 taxable at 15% and 25.8% above this amount).

The Group is subject to periodic audit by the Hungarian, Dutch and Luxembourg Tax Authorities. As the application of tax laws and regulations for many types of transactions are susceptible to varying interpretations, amounts reported in the consolidated financial statements could be changed at a later date upon final determination by the relevant tax authority.

In both 2023 and 2022 the tax rate used in the deferred tax calculation for the Hungarian companies is 9.00%.

In 2023 deferred tax for the Luxembourg entities are at the applicable income tax rates described above whilst for the Dutch entities at 25.8% (2022: 25.8%).

17. Income Tax (continued)

Deferred tax assets and deferred tax liabilities as at 31 December 2023 and 2022 are attributable to the items detailed in the tables below. In the below schedule, consolidated statement of financial position items denominated in currencies other than the presentation currency were revalued at the applicable year-end foreign exchange rates; the consolidated profit or loss items were determined based on average foreign exchange rates for 2023 & 2022 respectively.

	Consolidated statement of financial position		Consolidated profit or loss	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Deferred income tax liability				
Accumulated depreciation for tax purposes	(3,450,053)	(3,953,135)	503,082	(4,019,136)
Difference from loan transaction charges	-	(13,825)	13,825	23,951
Deferred tax related to rental discount	(76,315)	(118,530)	42,215	37,232
Reinvestment reserve*	-	(1,477,630)	1,477,630	3,861,893
Gross deferred income tax liabilities	(3,526,368)	(5,563,120)	2,036,752	(96,060)
Deferred income tax assets				
Accumulated depreciation for tax purposes	414,153	321,581	92,572	321,581
Impairment of debtors	8,738	8,738	-	(5,687)
Temporary difference on loan origination fees		-		-
Tax losses carried forward	-	-	-	(55,023)
Revaluation difference on related party transactions	-	-	-	(61,853)
Gross deferred income tax assets	422,891	330,319	92,572	199,018
Deferred income tax income / (expense)			2,129,324	102,958
Net deferred income tax liability	(3,103,477)	(5,232,801)		

*The Group had taken advantage of the possibility to defer the tax on the capital gain on the disposal of Dutch properties in prior periods. This allowed the Group to defer the payment of the tax on the gain for a period of up to three years after the end of the financial year of the sale, to the extent the proceeds are reinvested in qualifying properties from the same legal entity. The amount of the tax was shown as a deferred tax liability. At the end of 2023 the outstanding amount of the reinvestment reserve expired and the tax due became payable. The deferred tax liability associated with this reserve was released and a corresponding tax matching expense and liability recorded.

18. Revenue

Sales revenue	2023	2022
	EUR	EUR
Rental income revenue	26,776,070	22,302,393
Revenue from contracts with customers	13,482,066	11,064,087
Total sales revenue	40,258,136	33,366,480

Revenue from contracts with customers

	2023	2022
	EUR	EUR
Revenue from service charges to tenants	6,246,087	5,217,143
Ancillary mall revenue	2,709,779	2,581,703
Sale of goods*	3,158,694	2,648,906
Royalty revenue	1,016,194	411,070
Other sales revenue**	351,312	205,265
Total sales revenue	13,482,066	11,064,087

*Crystal and glass sales mainly reflect export sales realised in USD and EUR.
**Other sales revenues contain various minor items, such as marketing and consultancy fees and mainly reflect sales realised in HUF.

Revenues from selling of goods are generated primarily by sales of crystal and glass products.

19. Segment Information

Based on the assessment of IFRS 8, the Board of Directors has concluded that the Group operates in a single segment, being real estate and investment properties disclosing geographical data only as below.

Geographical breakdown of revenues:

	2023	2022
	EUR	EUR
Hungary	26,481,155	22,296,679
Netherlands	13,776,981	11,069,801
Total sales revenue	40,258,136	33,366,480

20. Financial Risks, Management Objectives and Policies

The Group's primary financial liabilities are creditors. The Group's various financial receivables include debtors, cash and short-term deposits. The Group's liquid assets are held in larger banks in Hungary, the Netherlands and Luxembourg. Financial liabilities and receivables are directly attributable to the Group's operations.

The highest risks related to the Group's financial instruments are FX risk and lending risk. The Board of Directors monitors all these risks and applies the following risk management procedures.

Interest rate risk

In April 2023, the Group repaid all of its outstanding debt to Berlin Hyp AG and remained debt free for the rest of the financial year (Note 16).

Foreign currency ("FX" risk)

Financial instruments that potentially represent risk for the Group include debtors in foreign currency, creditors in foreign currency and deposits in foreign currency other than in EUR. The Group's rental contracts are stipulated in EUR or on EUR basis thus mitigating any FX risk associated with non-EUR revenues.

The Group also has a translation risk on transactions – which occurs when the Group buys or sells in a currency other than its functional currency.

According to management, beyond the Group's FX risk, the risk associated with the actual profit or loss position stems from the volume of orders, vacant investment properties and market demand which depends on market trends rather than on FX rate fluctuations.

Certain of the Group's financial assets and liabilities are denominated in currencies other than the functional currency of Fotex Holding S.E. and are affected by EUR rate fluctuations as follows:

	Increase/decrease in HUF/EUR rate	Impact on total comprehensive income
		EUR
2023	+10%	(95,583)
	-10%	306,454
2022	+10%	(269,266)
	-10%	329,103

The financial instruments that are potentially subject to currency risk consist principally of foreign currency trade receivables and payables denominated in foreign currency other than EUR:

	2023	2022
	EUR	EUR
Financial liabilities	8,268,784	6,250,469
Financial assets	6,375,091	3,288,539

20. Financial Risks, Management Objectives and Policies (continued)

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its leasing activities and its financing activities, including deposits with banks and financial institutions.

The Group aims to mitigate lending risk by its careful and continuous debtor portfolio monitoring process and by requiring bank guarantees and collateral. The Group also requires deposits from tenants that are held until the tenancy ends.

Concentrations of credit risk, with respect to trade accounts receivable, are limited due to the relative immateriality of the balance mainly due to the downsizing of the Group's crystal business in Ajka Kristály Üvegipari Kft.

Receivable balances are monitored on an ongoing basis.

Credit risk related to receivables resulting from the sale of inventory is managed by requiring customers to pay upfront through online sales or advances before transfer of ownership, therefore, substantially eliminating the Group's credit risk in this respect.

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. At 31 December 2023 the Group's maximum exposure to credit risk is EUR 58,059,268 (31 December 2022: EUR 92,063,955). The main reason of this decrease is cash and cash equivalent decreased by EUR 40,781,991 in 2023 compared to 2022 primarily through the repayment of external debt in April 2023. The Group only deals with banks with an S&P and Fitch credit rating of minimum -A, see note 5 for more details.

Investments of surplus funds are made only with reliable counterparties and are allocated between more banks and financial institutions in order to mitigate financial loss through potential counterparty failure.

Liquidity risk

Liquidity risk is monitored as follows:

- Monitoring daily available deposited and free cash by entity
- Monitoring weekly cash flows by entity
- As part of the management information system, the Group monitors the operations of each entity on a monthly basis
- The Group monitors its long-term cash flows in order to match the maturity patterns of its assets and liabilities

20. Financial Risks, Management Objectives and Policies (continued)

With the exception of the deposits from tenants for which the maturity is disclosed in Note 13, The Group's other liabilities based on contracted not discounted payments of EUR 8,125,334 (December 31, 2022, EUR 5,834,819) are all due within 0-6 months.

Capital management

The main objective of the Group's capital management activities is to continuously ensure an equity structure that supports the Group's business operations, maintains its creditworthiness and maximises shareholder value. Changes in the Group's business environment are also reflected in the equity structure. The Group's equity structure is supervised by management by monitoring the Group's indebtedness ratio and decisions are made accordingly.

The indebtedness ratio is calculated by the Group in view of its net debt and the equity attributable to the Group. For the calculation of the net debt, cash and cash equivalents are deducted from the aggregate of short-term and long-term loans, trade payables and other current liabilities reduced by deferred rental income. To calculate the indebtedness ratio, the net debt is divided with the aggregate of equity and net debt. The Group's indebtedness ratio calculations at December 31st, 2023 and December 31st, 2022 are presented below:

	31 December 2023	31 December 2022
	EUR	EUR
Short-term and long-term borrowings:	-	47,036,021
Trade payables and other current liabilities less deferred rental income:	8,125,334	5,834,819
Cash and cash equivalents:	(46,676,712)	(86,740,242)
Net debt:	(38,551,378)	(33,869,401)
Equity attributable to the Company:	187,857,715	177,947,647
Total:	226,409,093	211,817,048
Indebtedness ratio:	(17.03%)	(15.99)%

The Group's indebtedness ratio increased from (15.99)% at 31 December 2022 to (17.03)% at December 31st, 2023, primarily due to the repayment of all outstanding debt in 2023 and in the increase in equity arising from the profit for the year and the decrease in the effects of foreign currency. The Group's management considers the Group's capital structure adequate, as property management is the Group's key activity and the Group's indebtedness reflects the nature of this industry.

21. Leases

Group as lessor

The Group leases property to third parties consisting mainly of retail outlets, offices, warehouses and other structures. Rents are predominantly set in EUR in the rental contracts.

The Group owns 10 office buildings and a cinema complex in the Netherlands and a large number of retail units, warehouses and other properties in Hungary which are leased to tenants on fixed long-term rental agreements. Based on the rental agreements the contracted revenue is as described in the table below.

Due to a software change in 2023, the Board of Directors is able to include the information of the Hungarian properties that was not available in 2022. The comparative financial information has not been adjusted.

The Group's fixed rental fee revenue under non-cancellable leases as of 31 December 2023 (EUR):

Due in	***2024***	***2025***	***2026***	***2027***	***2028***	***After 2028***	***Total***
	22,506,514	18,462,369	13,084,262	9,971,197	7,479,809	29,580,637	101,084,788

The Group's fixed rental fee revenue under non-cancellable leases as of 31 December 2022 (EUR):

Due in	***2023***	***2024***	***2025***	***2026***	***2027***	***After 2027***	***Total***
	12,889,444	10,918,705	9,451,156	6,939,509	6,350,633	32,643,607	79,193,053

22. Earnings Per Share

Basic earnings per share is calculated based on the weighted average number of ordinary shares in issue during the year less treasury shares held by the Company. Similarly, total diluted earnings per share is also calculated based on the weighted average number of ordinary shares in issue during the year as adjusted by the estimated value of an issue of potentially convertible securities. For the calculation of total diluted earnings per share, net earnings are adjusted with any gains and expenses that relate to potentially convertible securities.

Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares:

	2023	2022
	EUR	EUR
Net profit attributable to equity holders from continuing operations	8,763,074	7,945,632
Net profit attributable to shareholders	8,763,074	7,945,632
Weighted average number of shares in issue during the year	43,068,338	42,674,210
Basic earnings per share (EUR)	0.20	0.19

The diluted earnings per share agree with basic earnings per share in 2023 and 2022 as there is no dilution effect in these years.

23. Related Party Transactions

Principal related parties

Gábor Várszegi, Chairman of the Board of Fotex, directly or indirectly controls a part of the voting shares of Blackburn International Inc. (“Blackburn”), a Panama company, and Blackburn International Luxembourg S.à r.l. (“Blackburn Luxembourg”), a Luxembourg company. Blackburn Luxembourg has a controlling interest in Fotex Holding S.E. and in Fotex Ingatlan Kft. (“Fotex Ingatlan”) and is the ultimate controlling party for Fotex Holding S.E. and Fotex Ingatlan. As at 31 December 2023 Blackburn Luxembourg controlled 50.35% (31 December 2022: 50.35%) of Fotex Holding S.E.’s voting shares. APF International provides real estate services to the Group and is partly owned by two Group directors. White Oak Management provides accounting and company secretarial services to the Group and is owned by two Group directors. One director rents sundry commercial property from the Group on an arm’s length basis. These companies are considered to be related parties.

Related party transactions

Rental and other related fees paid to Fotex Ingatlan during 2023 were EUR 599,398 (2022: EUR 509,632).

Administrative and expert fees paid by Fotex Ingatlan during 2023 were EUR 76,114 (2022: EUR 34,523).

For 2023, the Group was charged fees of EUR 196,720 for property management by APF International (2022: 592,234 EUR for property management and the acquisition of Pathé Arena).

For 2023, the Luxembourg entities were charged professional fees of EUR 405,504 by White Oak Management (2022: EUR 332,123).

For 2023 the Hungarian entities received rental income and maintenance income of EUR 791,496 (2022 EUR 497,130) from one of the Group directors.

Transactions between related parties are made on terms equivalent to those that prevail in arm’s length transactions.

Remuneration of Group management

Management, directors and members of the Supervisory Board of the Group received a total remuneration of EUR 984,171 in 2023 (2022: EUR 850,107).

24. Subsequent Events after the End of the Reporting Period

As of December 7th, 2023, the Group invested EUR 3.4 million to acquire a 20% stake in APF International BV, an entity specialising in real estate services in the Netherlands for which 2 of their directors also serve as independent directors of Fotex Holding and are therefore related parties. This agreement is effective as of 1 January 2024, as a result the EUR 3.4 million has been treated as prepayment for the acquisition of investments under Note 7 of these Consolidated financial statements.

On January 30th, 2024, Fotex established, with the participation of APF International, a new company “Avenue Building BV”. Fotex owns 76,19%, whilst APF owns 23,81%. On February 24th, 2024, Avenue Building BV signed a sales and purchase agreement to acquire a property in the Netherlands at a purchase price of EUR 9,197,483.

25. Headcount

Personnel changes: Average number of employees was 122 people in 2023 (2022: 125 people).

26. Audit fees

The breakdown of the audit fees for the Group is:

	2023	2022
	EUR	EUR
Audit fees	117,700	115,500
Total	117,700	115,500

27. Contingent liabilities

The Group does not have any contingent liabilities as of 31 December 2023.