

Ronson Development SE

Consolidated Financial Statements
for the year ended 31 December 2019

Management Board

Boaz Haim, *President of the Management Board*

Yaron Shama, *Vice-President of the Management Board, Chief Financial Officer*

Andrzej Gutowski, *Vice-President of the Management Board, Sales and Marketing Director*

Alon Haver, *Member of the Management Board*

Supervisory Board

Amos Luzon, *Chairman*

Ofer Kadouri

Alon Kadouri

Przemysław Kowalczyk

Piotr Palenik

Shmuel Rofe

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Auditors

Ernst & Young Audyt Polska sp. z o.o. sp. k.

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Consolidated Financial Statements for the year ended 31 December 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December		2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Revenue from sale of residential projects	7	223,464	291,775
Revenue from sale of land	7	6,500	-
Revenue from sale of services	7	2,654	2,312
Revenue		232,618	294,087
Cost of sales of residential projects	8	(181,984)	(248,397)
Cost of sales of land		(6,312)	-
Cost of sales		(188,296)	(248,397)
Gross profit		44,322	45,690
Changes in the value of investment property	17	802	-
Selling and marketing expenses	9	(5,803)	(5,102)
Administrative expenses	10	(20,181)	(17,683)
Share of profit/(loss) from joint ventures	18	9,082	2,818
Other expenses	12	(3,763)	(3,934)
Other income	13	1,734	1,576
Result from operating activities		26,193	23,365
Finance income	14	750	738
Finance expense	14	(4,862)	(5,440)
Net finance income/(expense)		(4,112)	(4,702)
Profit/(loss) before taxation		22,081	18,663
Income tax expense	15	(4,667)	(3,592)
Profit/(loss) for the year		17,414	15,071
Other comprehensive income		-	-
Total comprehensive income/(expense) for the year, net of tax		17,414	15,071
Total profit/(loss) for the year attributable to:			
equity holders of the parent		17,414	13,498
non-controlling interests	25	-	1,573
Total profit/(loss) for the year, net of tax		17,414	15,071
Total comprehensive income/(expense) attributable to:			
equity holders of the parent		17,414	13,498
non-controlling interests	25	-	1,573
Total comprehensive income/(expense) for the year, net of tax		17,414	15,071
Weighted average number of ordinary shares (basic and diluted)	26	163,689,616	164,010,813
<i>In Polish Zlotys (PLN)</i>			
Net earnings/(loss) per share attributable to the equity holders of the parent (basic and diluted)	26	0.106	0.082

The notes on pages 5 to 75 are an integral part of these consolidated financial statements.

Consolidated Financial Statements for the year ended 31 December 2019**Consolidated Statement of Financial Position**

As at 31 December		2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Assets			
Non-current assets			
Property and equipment	16	8,552	7,986
Investment property	17	10,098	8,743
Investment in joint ventures	18	10,617	3,439
Deferred tax assets	19	6,935	5,531
Residential land bank	20	44,321	46,227
Total non-current assets		80,523	71,926
Current assets			
Inventory	20	718,060	596,927
Land held for sale	20	-	6,305
Trade and other receivables and prepayments	21	24,745	14,693
Income tax receivable		130	123
Loans granted to joint ventures	18	1,977	-
Other current financial assets	22	22,157	14,319
Cash and cash equivalents	23	95,591	100,828
Total current assets		862,660	733,195
Total assets		943,183	805,121
Equity and liabilities			
Equity			
Shareholders' equity			
Share capital		12,503	12,503
Share premium		150,278	150,278
Treasury shares		(580)	-
Retained earnings		188,293	180,699
Total equity	24	350,494	343,480
Liabilities			
Non-current liabilities			
Bond loans	27, 28	151,078	153,683
Secured bank loans	27, 29	-	30,061
Deferred tax liability	19	9,618	7,348
Lease liabilities related to perpetual usufruct of investment properties	2	552	-
Total non-current liabilities		161,248	191,092
Current liabilities			
Trade and other payables and accrued expenses	30	97,715	54,587
Bond loans	27, 28	36,891	51,864
Secured bank loans	27, 29	12,875	7,626
Interest bearing deferred trade payables	40	2,338	-
Advances received	31	254,970	152,452
Income tax payable		1,087	1,455
Provisions	32	2,016	2,565
Lease liabilities related to perpetual usufruct of land	2	23,549	-
Total current liabilities		431,441	270,549
Total liabilities		592,689	461,641
Total equity and liabilities		943,183	805,121

The notes on pages 5 to 75 are an integral part of these consolidated financial statements.

Consolidated Financial Statements for the year ended 31 December 2019**Consolidated Statement of Changes in Equity**

For the years ended 31 December 2019 and 31 December 2018:

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Share capital</u>	<u>Share premium</u>	<u>Treasury shares</u>	<u>Retained earnings⁽¹⁾</u>	<u>Total equity</u>
Balance at 1 January 2019	12,503	150,278	-	180,699	343,480
Comprehensive income:					
Profit for the year ended 31 December 2019	-	-	-	17,414	17,414
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	17,414	17,414
Dividend paid (see Note 24)	-	-	-	(9,820)	(9,820)
Repurchase of own shares (see Note 24)	-	-	(580)	-	(580)
Balance at 31 December 2019	12,503	150,278	(580)	188,293	350,494

(1) In order to fund the purchase of own shares under the buyback program, a capital reserve (within retained earnings) is established for an amount of PLN 2,000 thousand. The capital reserve is subsequently reduced by the amount of the consideration paid for the shares bought back. The capital reserve as at 31 December 2019 amounted to PLN 1,420 thousand and is presented as a part of the retained earnings.

Attributable to the equity holders of the parent

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Balance at 1 January 2018	12,503	150,278	175,108	337,889	4,123	342,012
Comprehensive income:						
Profit for the year ended 31 December 2018	-	-	13,498	13,498	1,573	15,071
Acquisition of Non-controlling interests ⁽¹⁾	-	-	1,934	1,934	(5,696)	(3,762)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	15,432	15,432	(4,123)	11,309
Dividend paid (see Note 24)	-	-	(9,841)	(9,841)	-	(9,841)
Balance at 31 December 2018	12,503	150,278	180,699	343,480	-	343,480

(1) On 10 October 2018, the Group acquired 18% of the share of ownership and voting rights in Ronson Espresso Sp. z o.o. (hereinafter "Espresso") from the minority shareholders of Espresso, for a total amount of PLN 3,762 thousand. Following the transaction Ronson Group became the sole shareholder of Espresso.

The notes on pages 5 to 75 are an integral part of these consolidated financial statements.

Consolidated Financial Statements for the year ended 31 December 2019

Consolidated Statement of Cash Flows

For the year ended 31 December

2019

2018

In thousands of Polish Zlotys (PLN)

Note

(Restated)

Cash flows from/(used in) operating activities

Profit/(loss) for the year		17,414	15,071
<i>Adjustments to reconcile profit for the year to net cash used in operating activities:</i>			
Depreciation	16	983	1,021
Write-down/(reversal) of inventory and residential land bank	20	(594)	2,937
Decrease/(increase) in the value of investment property	17	(802)	-
Finance expense	14	4,862	5,440
Finance income	14	(750)	(738)
Loss/(profit) on sale of property and equipment	13	(115)	(24)
Share of loss/(profit) from joint ventures	18	(9,082)	(2,818)
Income tax expense	15	4,667	3,592
Subtotal		16,583	24,481
Acquisition of Nova Królikarnia project	6	(46,069)	(68,090)
Decrease/(increase) in inventory and residential land bank	39	(7,496)	87,599
Decrease/(increase) in advances for land		-	(2,750)
Decrease/(increase) in trade and other receivables and prepayments	39	(8,147)	(859)
Decrease/(increase) in other current financial assets		(7,838)	6,182
Increase/(decrease) in trade and other payables and accrued expenses	39	19,566	(5,290)
Increase/(decrease) in provisions	32	(549)	(167)
Increase/(decrease) in advances received	31	102,518	(11,972)
Subtotal		68,568	29,134
Interest paid		(12,269)	(12,191)
Interest received		582	6,392
Income tax received/(paid)		(4,176)	(9,240)
Net cash from/(used in) operating activities		52,705	14,095*
Cash flows from/(used in) investing activities			
Acquisition of property and equipment	16	(1,549)	(377)
Acquisition of Non-controlling interests	25	-	(3,762)
Loans granted to joint ventures	18	(16,190)	-
Proceeds from loans granted to joint ventures	18	3,450	1,312
Dividends received from joint ventures	18	12,836	4,497
Proceeds from sale of property and equipment		115	38
Net cash from/(used in) investing activities		(1,338)	1,708*
Cash flows from/(used in) financing activities			
Proceeds from bank loans, net of bank charges	29	71,200	84,625
Repayment of bank loans	29	(96,754)	(61,805)
Proceeds from bond loans, net of issue costs	28	31,560	49,346
Repayment of bond loans	28	(50,000)	(42,160)
Dividends paid	24	(9,820)	(9,841)
Payment of lease liabilities related to perpetual usufruct rights	2	(2,210)	-
Repurchase of own share	24	(580)	-
Net cash from/(used in) financing activities		(56,604)	20,165
Net change in cash and cash equivalents		(5,237)	35,968
Cash and cash equivalents at the beginning of the year		100,828	64,860
Cash and cash equivalents at the end of the year^(**)	23	95,591	100,828

* The Company reclassified cash outflow from the acquisition of Nova Królikarnia project (PLN 68.1 million) during the year ended 31 December 2018, from Cash flow used in investing activities to Cash flow used in operating activities.

** Including restricted cash that amounted to PLN 3,829 thousand and PLN 32,297 thousand as 31 December 2019 and as 31 December 2018, respectively.

The notes on pages 5 to 75 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Background and business of the Company

- (a) Ronson Development SE ('the Company'), formerly named Ronson Europe N.V., is an European Company with its statutory seat in Warsaw, Poland. The registered office is located at al. Komisji Edukacji Narodowej 57. The Company was incorporated in the Netherlands on 18 June 2007 as Ronson Europe N.V. with statutory seat in Rotterdam. During 2018, the Company changed its name and was transformed into an European Company (SE) and, effectively as of 31 October 2018, transferred its registered office of the Company from the Netherlands to Poland.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. According to publicly available information, as at 31 December 2019, 66.06% of the outstanding shares are controlled indirectly by Amos Luzon Development and Energy Group Ltd. ('A. Luzon Group') and 0.41% of the shares are held by the Company. The remaining 33.53% of the outstanding shares are held by other investors including Nationale Nederlanden Otwarty Fundusz Emerytalny and Metlife Otwarty Fundusz Emerytalny. The number of shares held by the investors is equal to the number of votes, as there are no privileged shares issued by the Company. It shall be noted that as at 31 December 2019, the Company held 674,900 own shares (0.41%) and, in accordance with art. 364 § 2 of the Code of Commercial Companies, it does not exercise voting rights from own shares.

As at 31 December 2019, the Groups' market capitalization was below the value of net assets. Although, the Company strongly believes that this is a temporary situation due to many different factors, including low liquidity of the Company's shares listed on WSE, Management took appropriate steps to review the Company's accounts to determine if there is any additional write-down required and found no basis for it. Management verified that the forecast margin potential in respect of the inventory is positive. Therefore, no indicators for potential additional impairment have been identified.

- (b) The details of the entities whose financial statements have been included in these Consolidated Financial Statements, the year of incorporation and the percentage of ownership and voting rights directly or indirectly held by the Company as at 31 December 2019, are presented below and on the following page.

The projects managed by the entities are in various stages of development ranging from being in the process of acquiring land for development to projects which are completed or near completion.

Consolidated Financial Statements for the year ended 31 December 2019

Notes to the Consolidated Financial Statements

1. Background and business of the Company (cont'd)

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		31 December 2019	31 December 2018
a. held directly by the Company:			
1 Ronson Development Management Sp. z o.o.	1999	100%	100%
2 Ronson Development 2000 Sp. z o.o.	2000	100%	100%
3 Ronson Development Warsaw Sp. z o.o.	2000	100%	100%
4 Ronson Development Investment Sp. z o.o.	2002	100%	100%
5 Ronson Development Metropol Sp. z o.o.	2002	100%	100%
6 Ronson Development Properties Sp. z o.o.	2002	100%	100%
7 Apartments Projekt Sp. z o.o.	2003	100%	100%
8 Ronson Development Enterprise Sp. z o.o.	2004	100%	100%
9 Ronson Development Company Sp. z o.o.	2005	100%	100%
10 Ronson Development Creations Sp. z o.o.	2005	100%	100%
11 Ronson Development Buildings Sp. z o.o.	2005	100%	100%
12 Ronson Development Structure Sp. z o.o.	2005	100%	100%
13 Ronson Development Poznań Sp. z o.o.	2005	100%	100%
14 E.E.E. Development Sp. z o.o.	2005	100%	100%
15 Ronson Development Innovation Sp. z o.o.	2006	100%	100%
16 Ronson Development Wrocław Sp. z o.o.	2006	100%	100%
17 Ronson Development Capital Sp. z o.o.	2006	100%	100%
18 Ronson Development Sp. z o.o.	2006	100%	100%
19 Ronson Development Construction Sp. z o.o.	2006	100%	100%
20 City 2015 Sp. z o.o.	2006	100%	100%
21 Ronson Development Village Sp. z o.o. ⁽¹⁾	2007	100%	100%
22 Ronson Development Conception Sp. z o.o.	2007	100%	100%
23 Ronson Development Architecture Sp. z o.o.	2007	100%	100%
24 Ronson Development Skyline Sp. z o.o.	2007	100%	100%
25 Continental Development Sp. z o.o.	2007	100%	100%
26 Ronson Development Universal Sp. z o.o. ⁽¹⁾	2007	100%	100%
27 Ronson Development Retreat Sp. z o.o.	2007	100%	100%
28 Ronson Development South Sp. z o.o.	2007	100%	100%
29 Ronson Development Partner 5 Sp. z o.o.	2007	100%	100%
30 Ronson Development Partner 4 Sp. z o.o.	2007	100%	100%
31 Ronson Development North Sp. z o.o.	2007	100%	100%
32 Ronson Development Providence Sp. z o.o.	2007	100%	100%
33 Ronson Development Finco Sp. z o.o.	2009	100%	100%
34 Ronson Development Partner 2 Sp. z o.o.	2010	100%	100%
35 Ronson Development Skyline 2010 Sp. z o.o. w likwidacji	2010	100%	100%
36 Ronson Development Partner 3 Sp. z o.o.	2012	100%	100%
37 Nova Królikarnia B.V. (Company with the registered office in the Netherlands)	2016	100%	100%
b. held indirectly by the Company:			
38 AGRT Sp. z o.o.	2007	100%	100%
39 Ronson Development Partner 4 Sp. z o.o. – Panoramika Sp.k.	2007	100%	100%
40 Ronson Development Sp z o.o. - Estate Sp.k.	2007	100%	100%
41 Ronson Development Sp. z o.o. - Home Sp.k.	2007	100%	100%
42 Ronson Development Sp z o.o. - Horizon Sp.k.	2007	100%	100%
43 Ronson Development Partner 3 Sp. z o.o. - Sakura Sp.k.	2007	100%	100%
44 Destiny Sp. z o.o.	2007	100%	100%
45 Ronson Development Millenium Sp. z o.o.	2007	100%	100%
46 Ronson Development Sp. z o.o. - EEE 2011 Sp.k.	2009	100%	100%
47 Ronson Development Sp. z o.o. - Apartments 2011 Sp.k.	2009	100%	100%
48 Ronson Development Sp. z o.o. - Idea Sp.k.	2009	100%	100%
49 Ronson Development Partner 2 Sp. z o.o. – Destiny 2011 Sp.k.	2009	100%	100%
50 Ronson Development Partner 2 Sp. z o.o. - Enterprise 2011 Sp.k.	2009	100%	100%
51 Ronson Development Partner 2 Sp. z o.o. - Retreat 2011 Sp.k.	2009	100%	100%
52 Ronson Development Partner 5 Sp. z o.o - Vitalia Sp.k.	2009	100%	100%
53 Ronson Development Sp. z o.o. - 2011 Sp.k.	2009	100%	100%
54 Ronson Development Sp. z o.o. - Gemini 2 Sp.k.	2009	100%	100%
55 Ronson Development Sp. z o.o. - Verdis Sp.k.	2009	100%	100%
56 Ronson Espresso Sp. z o.o.	2006	100%	100%
57 Ronson Development Apartments 2010 Sp. z o.o.	2010	100%	100%

(1) The Company has the power to govern the financial and operating policies of this entity and to obtain benefits from its activities, whereas Kancelaria Radcy Prawnego Jarosław Zubrzycki holds the legal title to the shares of this entity.

Consolidated Financial Statements for the year ended 31 December 2019

Notes to the Consolidated Financial Statements

1. Background and business of the Company (cont'd)

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		31 December 2019	31 December 2018
b. held indirectly by the Company (cont'd):			
58 RD 2010 Sp. z o.o.	2010	100%	100%
59 Retreat Sp. z o.o.	2010	100%	100%
60 Enterprise 2010 Sp. z o.o.	2010	100%	100%
61 Wrocław 2010 Sp. z o.o.	2010	100%	100%
62 E.E.E. Development 2010 Sp. z o.o.	2010	100%	100%
63 Ronson Development Nautica 2010 Sp. z o.o.	2010	100%	100%
64 Gemini 2010 Sp. z o.o.	2010	100%	100%
65 Ronson Development Sp. z o.o. - Naturalis Sp.k.	2011	100%	100%
66 Ronson Development Sp. z o.o. - Impressio Sp.k.	2011	100%	100%
67 Ronson Development Sp. z o.o. - Continental 2011 Sp.k.	2011	100%	100%
68 Ronson Development Sp. z o.o. - Providence 2011 Sp.k.	2011	100%	100%
69 Ronson Development Partner 2 Sp. z o.o. - Capital 2011 Sp. k.	2011	100%	100%
70 Ronson Development Partner 5 Sp. z o.o. - Miasto Marina Sp.k.	2011	100%	100%
71 Ronson Development Partner 5 Sp. z o.o. - City 1 Sp.k.	2012	100%	100%
72 Ronson Development Partner 2 Sp. z o.o. - Miasto Moje Sp. k.	2012	100%	100%
73 Ronson Development Sp. z o.o. - City 3 Sp.k.	2012	100%	100%
74 Ronson Development Sp. z o.o. - City 4 Sp.k.	2016	100%	100%
75 Ronson Development Partner 2 Sp. z o.o. - Grunwald Sp.k.	2016	100%	100%
76 Ronson Development Sp. z o.o. - Projekt 2 Sp.k.	2017	100%	100%
77 Ronson Development Sp. z o.o. - Projekt 3 Sp.k.	2017	100%	100%
78 Ronson Development Sp. z o.o. - Projekt 4 Sp.k.	2017	100%	100%
79 Ronson Development Sp. z o.o. - Projekt 5 Sp.k.	2017	100%	100%
80 Ronson Development Sp. z o.o. - Projekt 6 Sp.k.	2017	100%	100%
81 Ronson Development Sp. z o.o. - Projekt 7 Sp.k.	2017	100%	100%
82 Ronson Development Sp. z o.o. - Projekt 8 Sp.k.	2017	100%	100%
83 Ursus 2017 Sp. z o.o.	2017	100%	100%
84 Projekt City Sp. z o.o.	2017	100%	100%
85 Bolzanus Limited (<i>Company with the registered office in Cyprus</i>)	2013	100%	100%
86 Park Development Properties Sp. z o.o. - Town Sp.k.	2007	100%	100%
87 Tras Sp. z o.o.	2015	100%	100%
88 Pod Skocznia Projekt Sp. z o.o.	2015	100%	100%
89 District 20 Sp. z o.o.	2015	100%	100%
90 Arkadia Development Sp. z o.o.	2015	100%	100%
91 Królikarnia 2015 Sp. z o.o.	2015	100%	100%
92 Tras 2016 Sp. z o.o.	2016	100%	100%
93 Pod Skocznia Projekt 2016 Sp. z o.o.	2016	100%	100%
94 District 20 – 2016 Sp. z o.o.	2016	100%	100%
95 Arkadia Development 2016 Sp. z o.o.	2016	100%	100%
96 Królikarnia 2016 Sp. z o.o.	2016	100%	100%
97 Kroli Development Sp. z o.o.	2016	100%	100%
98 Park Development Properties Sp. z o.o.	2016	100%	100%
99 Jasminova 2016 Sp. z o.o.	2016	100%	100%
100 Town 2016 Sp. z o.o.	2016	100%	100%
101 E.E.E. Development 2016 Sp. z o.o.	2016	100%	100%
102 Enterprise 2016 Sp. z o.o.	2016	100%	100%
103 Wrocław 2016 Sp. z o.o.	2016	100%	100%
104 Darwen Sp. z o.o. ⁽²⁾	2017	100%	n.a.
105 Truro Sp. z o.o. ⁽²⁾	2017	100%	n.a.
106 Tregaron Sp. z o.o. ⁽²⁾	2017	100%	n.a.
107 Totton Sp. z o.o. ⁽²⁾	2017	100%	n.a.
108 Tring Sp. z o.o. ⁽³⁾	2017	100%	n.a.
109 Thame Sp. z o.o. ⁽³⁾	2017	100%	n.a.
110 Troon Sp. z o.o. ⁽³⁾	2017	100%	n.a.

(2) Acquired during execution of first call option agreement on 5 April 2019. For additional information see Note 6.

(3) Acquired during execution of second call option agreement on 7 October 2019. For additional information see Note 6.

The Investment in joint ventures comprise the Company's 50% interest in the joint ventures companies Ronson IS sp. z o.o., Ronson IS Sp. z o.o. Sp.k., Coralchief Sp. z o.o. and Coralchief Sp. z o.o. – Projekt 1 Sp.k. Those joint ventures are involved in the development and sale of residential units in Warsaw.

Notes to the Consolidated Financial Statements

2. Basis of preparation and measurement

(a) Basis of preparation and statement of compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS'). In light of the nature of the Group's activities, the IFRSs applied by the Group are not different from the IFRSs endorsed by the European Union, which are effective for the financial year ended 31 December 2019. The Group is aware about New standards and interpretations that have been issued but have not yet become effective. More details on these standards and interpretations are presented in Note 4. The Consolidated Financial Statements were authorized by the Boards of Directors of Ronson Development SE on 10 March 2020. These Consolidated Financial statements have been prepared on the assumption that the Group is a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations. The Company prepared Consolidated Financial Statements for the year ended 31 December 2019 in both English and Polish languages, while the Polish version is binding.

(b) Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, except for investment property which was measured at fair value. The methods used to measure fair values for the purpose of preparing the Consolidated Financial Statements are discussed further in Note 3(q), Note 17 and Note 33.

(c) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency') being Polish Zloty ('PLN'). Polish Zloty is the presentation currency of the Consolidated Financial Statements of the Group, and is also the functional currency of the parent company.

The Consolidated Financial Statements are presented in thousands of Polish Zloty, except when otherwise indicated.

Notes to the Consolidated Financial Statements

2. Basis of preparation and measurement (cont'd)

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing-basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements, are described in the following notes:

- Note 17 – Investment property
- Note 19 – Deferred tax asset recognition
- Note 20 – Inventory and residential land bank
- Note 32 – Provisions
- Note 35 – Commitments and contingencies

The Company conducts residential units projects and developing activities in dedicated SPVs. The Company reflects in its Consolidated Financial Statements the activities and transactions related to such projects based on the substance rather than legal form. Such transactions are accounted for in accordance with IAS 2 and IFRS 15, whereby inventory is sold and revenue should be recognized after the criteria are met.

Estimation of net realizable value for inventory and residential land bank

Inventory and residential land bank is stated at the lower of cost and net realizable value (NRV). NRV for completed inventory property (Finished goods) is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in the light of recent market transactions. NRV in respect of work in progress and residential land bank is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

Valuation of investment property

The fair value of the investment property is determined by independent real estate valuation experts based on the discounted cash flow approach. The determination of the fair value of the investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets.

Deferred tax asset recognition

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Notes to the Consolidated Financial Statements

2. Basis of preparation and measurement (cont'd)

(d) Use of estimates and judgments (cont'd)

Uncertain tax treatment

Regulations regarding VAT, corporate profits tax and social security contributions are subject to frequent changes. These changes result in there being little point of reference and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies.

Tax and other settlements may be subject to inspection by administrative bodies authorized to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in Poland than in countries that have a more established taxation system. Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

On 15 July 2016, amendments were made to the Tax Ordinance to introduce the provisions of General Anti-Avoidance Rules (GAAR). GAAR are targeted to prevent origination and use of fictitious legal structures set up to avoid payment of tax in Poland. GAAR define tax evasion as an activity performed mainly with a view to realising tax gains, which is contrary, under given circumstances, to the subject and objective of the tax law. In accordance with GAAR, an activity does not bring about tax gains, if its modus operandi was false. Any instances of (i) unreasonable division of an operation (ii) involvement of agents despite lack of economic rationale for such involvement, (iii) mutually exclusive or mutually compensating elements, as well as (iv) other activities similar to those referred to earlier may be treated as a hint of artificial activities subject to GAAR. New regulations will require considerably greater judgment in assessing tax effects of individual transactions.

The GAAR clause should be applied to the transactions performed after clause effective date and to the transactions which were performed prior to GAAR clause effective date, but for which after the clause effective date tax gains were realised or continue to be realised. The implementation of the above provisions will enable Polish tax authority challenge such arrangements realised by tax remitters as restructuring or reorganization.

The Group accounts for current and deferred tax assets and liabilities based on the requirements of IAS 12 Income taxes, based on taxable profit (tax loss), taxable base, carry-forward of unused tax losses and carry-forward of unused tax credits, and tax rates, while considering the assessment of uncertainty related to tax settlements. If uncertainty exists as to whether and to what extent tax authority will accept individual tax treatments of made transactions, the Group discloses these settlements while accounting for uncertainty assessment.

Further details on taxes are disclosed in Note 15 and Note 19.

(e) Basis of consolidation

These Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group 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, the Group controls an investee if, and only if, the Group 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.

Notes to the Consolidated Financial Statements

2. Basis of preparation and measurement (cont'd)

(e) Basis of consolidation (cont'd)

The Group re-assesses 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 the Group obtains control over the subsidiary and ceases when the Group 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 the Group gains control until the date the Group 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 the Group'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 the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The financial statements of subsidiaries are prepared for the same period as the financial statement of parent. The Group entities keep books of accounts in accordance with accounting policies specified in the Accounting Act dated 29 September 1994 ('the Accounting Act') with subsequent amendments and the regulations issued based on that Act (all together: 'Polish Accounting Standards'). These consolidated financial statements include a number of adjustments not included in the books of account of the Group entities, which were made in order to bring the financial statements of those entities in conformity with IFRSs as adopted by EU.

Until 31 of October 2018, Ronson Development SE kept its books of accounts in accordance with accounting policies required by the Dutch law. On 31 October 2018, the Company transferred its registered office from the Netherlands to Poland. On 20 December 2018, the Extraordinary General Meeting of the Company adopted a resolution regarding the preparation of the financial statements of Ronson Development SE in accordance with IFRS, starting with the financial statements for the financial year 2018.

Where property is acquired, via corporate acquisitions or otherwise, the management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business or assets. Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise, acquisitions are accounted for as business combinations.

Notes to the Consolidated Financial Statements

2. Basis of preparation and measurement (cont'd)

(f) Changes in accounting policies and disclosures

The accounting policies applied in the preparation of the attached Consolidated Financial Statements are consistent with those applied in the preparation of the Consolidated Financial Statements of the Group for the year ended 31 December 2018 with the exception of the standards and amendments presented below.

- IFRS 16 *Leases* (issued on 13 January 2016) - effective for financial years beginning on or after 1 January 2019;
- IFRIC 23 *Uncertainty over Income Tax Treatments* (issued on 7 June 2017) - effective for financial years beginning on or after 1 January 2019;
- Amendments to IFRS 9: *Prepayment Features with Negative Compensation* (issued on 12 October 2017) - effective for financial years beginning on or after 1 January 2019;
- Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures* (issued on 12 October 2017) – effective for financial years beginning on or after 1 January 2019;
- Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement* (issued on 7 February 2018) – effective for financial years beginning on or after 1 January 2019;
- *Annual Improvements to IFRS Standards 2015-2017 Cycle* (issued on 12 December 2017) – effective for financial years beginning on or after 1 January 2019.

Except for IFRS 16 discussed below, these standards, amendments and improvements do not have any material impact on the consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The Group has decided not to apply earlier any Standard, Interpretation or Amendment that has been issued, but has not yet become effective in light of the EU regulations.

Implementation of IFRS 16

IFRS 16 introduces a unitary model of the lessee's accounting and requires the lessee to recognize assets and liabilities resulting from each lease with a period exceeding 12 months, unless the underlying asset is of low value. Based on the assessment made of the impact of the application of IFRS 16 on the accounting principles (policy) applied by the Group, the Management Board concludes that the only material agreements to which new recognition method applies, are the rights of perpetual usufruct of real estate properties. Other lease agreements identified were excluded from the recalculation based on the recognition exemptions.

The method of valuation and presentation of lease in the Group's financial statements

The Group decided to apply the standard using the modified retrospective approach with 1 January 2019 being initial application date. Accordingly, the Group recognizes a lease liability, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The Group recognizes the respective right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognized immediately before the date of initial application. This method of application did not result in any adjustment to retained earnings on the date of initial application (1 January 2019).

The Group has decided to present right-of-use assets under the same item in the Consolidated Statement of Financial Position, under which the relevant underlying assets would be presented if they were owned by the Group. The lease liabilities are presented separately from other liabilities in long term liabilities with respect to lease of investment properties and short term liabilities with respect to lease of inventory.

The right of perpetual usufruct of land related to residential projects:

Assets - was recognized in the Consolidated Statement of Financial Position under "Inventory".

Liabilities - was presented in the Consolidated Statement of Financial Position as a short term under "Lease liabilities related to perpetual usufruct of land".

Costs - the Group depreciates the right of use asset on straight line basis over the lease period. On the other hand the Group recognizes finance expense to reflect interest expense on lease liability. Those costs are capitalized to Inventory as long as development project qualifies for capitalization.

Consolidated Financial Statements for the year ended 31 December 2019**Notes to the Consolidated Financial Statements****2. Basis of preparation and measurement (cont'd)****(f) Changes in accounting policies and disclosures (cont'd)****Implementation of IFRS 16 (cont'd)**

Derecognition – at the moment occupancy permit is issued the Group becomes the owner of the land (based on The Act of July 20, 2018 on transformation of the right of perpetual usufruct of land built for housing purposes into the ownership right of these lands). Since then the Group is no longer liable for perpetual usufruct fees but pays conversion fees. At the moment occupancy permit is issued and revenue from the sale of residential units is recognized (when the performance obligations are satisfied and when the customer obtains control of the good, i.e. upon signing of the protocol of technical acceptance and the transfer of the key to the buyer of the residential unit and total payment obtained) the liability for conversion fee and related asset are reclassified to other payables and other receivables and are presented under "Trade and other payables and accrued expenses" and "Trade and other receivables and prepayments" respectively. The Group is legally released from the obligation to pay conversion fees only upon signing the final notary deed for transferring the ownership of unit together with share in the land to the client. Carrying amounts of receivables and payables are derecognized from Consolidated Statement of Financial Position once notary deeds are signed with clients.

Despite the fact that based on the Group's core business the operating cycle of inventory is on average 5 years i.e. plots of land are purchased for the purpose of the development of residential projects and transferring the ownership of the units together with share in the land to the client. Under IFRS 16 the Group is not allowed to consider the period for which the Group expects to be the usufructuary despite the fact that the period is quite precisely known. Therefore once lease liabilities are recognized, the Group is required to discount all future payments resulting from the right of perpetual usufruct for the period for which the right is granted to individual properties (it can be up to 99 years). Following the requirements of IFRS 16 the Group recognize lease liabilities of which majority will not be paid by the Group.

As at 31 December 2019, based on the Management Board expectations and forecast prepared taking into account expected completion dates of projects and sale results out of PLN 24.1 million of liability as much as PLN 2 up to 3 million will be paid by the Group, while the remaining amount will be transferred to the clients.

The right of perpetual usufruct of investment properties:

Assets - was recognized in the balance sheet under "Investment properties".

Liabilities - was presented in the balance sheet as a long term under "Lease liabilities related to perpetual usufruct of investment property".

Costs - the Group fair values the right of use asset at each balance sheet date and recognizes finance expense to reflect interest expense on lease liability.

The impact of implementing IFRS 16 on the Consolidated Financial Statement resulted in an increase in total assets of PLN 33,530 thousand and an increase in total liabilities of PLN 33,530 thousand as at 1 January 2019, as presented in the table below:

<i>In thousands of Polish Zlotys (PLN)</i>	Approved financial statements 31 December 2018	IFRS 16 adjustments	1 January 2019
Investment properties	8,743	553	9,296
Inventory	596,927	32,977	629,904
Impact on assets		33,530	
Lease liability related to right of use of land in perpetual usufruct		553	553
Impact on non-current liabilities		553	
Lease liability related to right of use of land in perpetual usufruct		32,977	32,977
Impact on current liabilities		32,977	
Impact on liabilities		33,530	

Consolidated Financial Statements for the year ended 31 December 2019**Notes to the Consolidated Financial Statements****2. Basis of preparation and measurement (cont'd)****(f) Changes in accounting policies and disclosures (cont'd)****Implementation of IFRS 16 (cont'd)**

The movement on the right of use assets and lease liabilities during the year ended 31 December 2019 is presented below:

<i>In thousands of Polish Zlotys (PLN)</i>	1 January 2019	Depreciation charge	Fair value adjustment	Recalculation adjustment⁽¹⁾	Revenue recognition	31 December 2019
Right of use assets related to inventory	32,977	(440)	-	(7,105)	(2,312)	23,120
Right of use assets related to investment property	553	n.a	-	-	n.a	553

<i>In thousands of Polish Zlotys (PLN)</i>	1 January 2019	Finance expense	Payments	Recalculation adjustment⁽¹⁾	Revenue recognition	31 December 2019
Lease liabilities related to inventory	32,977	2,105	(2,173)	(7,058)	(2,302)	23,549
Lease liabilities related to investment property	553	36	(37)	-	n.a	552

(1) Related to change of perpetual usufruct charge of one of the plot from commercial to residential purposes (from 3% of the value per year to 1%).

The key assumption made under Management's estimation relates to the discounting rates (incremental borrowing rates) used in measuring the lease liabilities. The Group has carried a sensitivity analysis of its lease liabilities to examine the impact of changes in discount rate applied in the calculation of lease liabilities whilst assuming all other factors unchanged. The analysis was performed in order to present how reasonable changes to the valuation assumption may impact the value of lease liabilities and right to use asset as the date of initial application.

Average discount rate used in the calculation	impact of the change of discount rate on the value of the financial liabilities and perpetual usufruct as of 1 January 2019					
	<i>In thousands of Polish Zlotys (PLN)</i>					
	-2 pp	-1 pp	-0,5 pp	+0,5 pp	+1 pp	+2 pp
6,94%	45,561	38,686	35,932	31,421	29,557	26,419

Notes to the Consolidated Financial Statements

3. Significant accounting policies

The accounting policies set out below have been applied consistently in all periods presented in these Consolidated Financial Statements.

(a) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates prevailing at the dates of the transactions using:

- the purchase or selling rate of the bank whose services are used by the Group – in case of foreign currency sales or purchase transactions, as well in the case as of the debt or liability payment transactions;
- the average rate specified for a given currency by the National Bank of Poland as on the transaction date, unless a customs declaration or other binding document indicates another rate – in case of other transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting 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.

(b) Revenue from contracts with customers

Revenues from the sale of residential units are recognized when (or as) the Group has satisfied a performance obligation by transferring a promised good to a customer. A residential unit is transferred when (or as) the customer obtains control of the residential unit (i.e. upon signing of the protocol of technical acceptance and transfer of the key to the unit and payment of the entire amount resulting from the sale agreement), after receiving valid occupancy permit for the building.

Advances received related to pre-sales of residential units, which represent deferred income, are deferred when they do not meet the criteria to be recognized as revenue. When they subsequently meet these criteria, they are recognized as revenue.

(c) 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 to another entity.

Financial assets

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

In order for a financial asset to be classified and measured at amortized 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.

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

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

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

For the Group the first category is most relevant. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

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

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

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

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

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

The financial instruments of the Group are classified into one of the following categories:

Category	Statement of financial position item	Measurement
Assets measured at amortized costs	Other current financial assets	Amortized cost method
	Loans granted to joint ventures	Fair value through P&L
	Cash and cash equivalent	Amortized cost method
	Trade and other receivables and prepayments	Amortized cost method
Liabilities measured at amortized costs	Bond loans	Amortized cost method
	Secured bank loans	Amortized cost method
	Trade and other payables and accrued expenses	Amortized cost method

(d) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred.

(ii) Depreciation

Depreciation is calculated on the straight-line basis over the estimated useful life of each component of an item of property and equipment.

The estimated useful life of property and equipment, depending on the class of asset, ranges from 2 to 40 years. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date, and adjusted prospectively since the beginning of the following year, if appropriate.

(e) Leases

The Group recognizes assets and liabilities resulting from leases with a period exceeding 12 months, unless the underlying asset is of low value. The only material lease agreements with a period exceeding 12 months into which the Group has entered, are the rights of perpetual usufruct of real estate properties. For additional information see Note 2 (f).

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(f) Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequently to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of comprehensive income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequently accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(g) Inventories and Residential land bank

The Group estimates that an operating cycle for projects lasts for about 5 years. The operating cycle is divided into two phases: (i) the pre-construction preparation phase lasting about 3 years (obtaining necessary site permits, environmental decisions or construction permits, designing, etc.), and (ii) construction phase lasting also about 2 years.

When a project is within the operating cycle the project presented as short-term assets under inventory, in other cases the project presented as long-term under Residential land bank.

(i) Inventory

Inventory is measured at the lower of cost and net realizable value. The cost of inventory includes expenditure incurred relating to the construction of a project.

Inventory comprises residential real estate projects to individual customers.

Costs relating to the construction of a project are included in inventory of residential units as follows:

- costs incurred relating to projects or a stage of a project which are not available for sale (work in progress),
- costs incurred relating to units unsold associated with a project.

Project construction costs include:

- a) land or leasehold rights for land,
- b) construction costs paid to the general contractor building the residential project,
- c) planning and design costs,
- d) perpetual usufruct fees and real estate taxes incurred during the period of construction,
- e) borrowing costs to the extent they are directly attributable to the development of the project (see accounting policy (l)),
- f) professional fees attributable to the development of the project,
- g) construction overheads and other directly related costs.
- h) lease assets, see note 2 (f).

Inventory is recognized as a cost of sales in the statement of comprehensive income when the sale of residential units is recognized.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(g) Residential land bank and Inventories (cont'd)

(ii) Residential land bank

Long-term part of the land bank (if a commencement of construction phase is not planned within the period of 3 years from the reporting date) is presented in non-current assets of the consolidated statement of financial position, as "Residential land bank", whereas short-term part of the land bank is presented in current assets of the consolidated statement of financial position, in inventory balance.

Residential land bank are measured at the lower of cost and net realizable value.

(h) Equity

(i) Share capital

Share capital includes the proceeds received from the issue of ordinary shares on the nominal value in exchange for cash.

(ii) Share premium

Share premium includes the excess of proceeds received from the issue of shares over the nominal value of shares. Shares issuance costs are deducted from the share premium.

(iii) Treasury shares

Own shares that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(i) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's or a cash generating unit's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash generating unit exceeds its recoverable amount.

The recoverable amount of an asset or a cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to 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.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(j) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(k) Borrowing costs

Borrowing costs directly attributable to the inventory of properties which necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of the respective assets.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized equals the gross interest incurred on those borrowings. Interest is capitalized as from the commencement of the development work until the date of completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted.

(l) Income tax expense

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax expense is calculated according to tax regulations in effect in the jurisdiction in which the individual companies are domiciled.

Deferred income tax is provided, using the balance sheet method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and for tax losses carried forward, except for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. At each reporting date deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(m) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. The computations of the basic earnings per share are determined on the basis of the weighted average number of shares outstanding during the year. The diluted earnings per share are determined by adjusting the statement of comprehensive income and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted and rights to obtain shares by employees.

(n) Cash and cash equivalents

Cash and cash equivalents in the statement of financial positions comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, except for collateralized deposits.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(o) Investment in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. Upon making an investment in an associate or joint venture, the amount by which the costs of such investment exceed the value of the Group's share in the net fair value of identifiable assets and liabilities of this entity is recognized as goodwill and included in the carrying amount of the underlying investment.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in Other comprehensive income of joint ventures are presented as part of the Group's Other comprehensive income. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss as 'Share of profit/(loss) of a joint venture' in the statement of profit or loss.

Upon loss of joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

(p) Employee benefits

Obligations for contributions to defined contribution pension plans are recognized as an expense in the statement of comprehensive income as incurred.

The Company's subsidiaries are required, under applicable regulations, to pay, on a monthly basis, social security contributions for the employees' future pension benefits. These benefits, according to IAS 19 'Employee Benefits', are state plans and are characterized as defined contribution plans. Therefore, the Company's subsidiaries have no legal or constructive obligation to pay future pension benefits and their obligation is limited to payment of contributions as they fall due.

Notes to the Consolidated Financial Statements

3. Significant accounting policies (cont'd)

(q) Fair Value

The Group measures investment properties at fair value at each balance sheet date. In addition, fair values of financial instruments measured at amortized cost are disclosed in Note 34 and Note 17.

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Notes to the Consolidated Financial Statements

4. Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations, insofar endorsed by the European Union, are not yet effective for the year ended 31 December 2019, and have not been applied in preparing these consolidated financial statements:

- IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard– not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (issued on 11 September 2014) - the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- IFRS 17 Insurance Contracts (issued on 18 May 2018) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2021;
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2020;
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2020;
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2020.
- Amendments to IFRS 9, IAS 39 and IFRS 7: *Interest Rate Benchmark Reform* (issued on 26 September 2019) – effective for financial years beginning on or after 1 January 2020;
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (issued on 23 January 2020) – not yet endorsed by EU at the date of approval of these financial statements – effective date is not yet determined.

The effective dates are dates provided by the International Accounting Standards Board. Effective dates in the European Union may differ from the effective dates provided in standards and are published when the standards are endorsed by the European Union. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. These standards, amendments and interpretations are expected to have no impact on the consolidated financial statements of the Group.

Consolidated Financial Statements for the year ended 31 December 2019**Notes to the Consolidated Financial Statements****5. Segment reporting**

The Group's operating segments are defined as separate entities developing particular residential projects, which for the reporting purposes were aggregated. The aggregation for reporting purpose is based on geographical locations (Warsaw, Poznań, Wrocław and Szczecin) and type of activity (development of apartments and development of houses). Moreover, for particular assets the reporting was based on type of income: rental income from investment property. The segment reporting method requires also the Company to present separately joint venture within Warsaw segment.

According to the Management Board's assessment, the operating segments identified have similar economic characteristics. Aggregation based on the type of development within the geographical location has been applied since primarily the location and the type of development determine the average margin that can be realized on each project and the project's risk factors. Considering the fact that the production process for apartments is different from that for houses and considering the fact that the characteristics of customers buying apartments slightly differ from those of customers interested in buying houses, aggregation by type of development within the geographical location has been used for segment reporting and disclosure purposes.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated indirectly based on reasonable criteria. The unallocated result for the year comprises mainly head office expenses. Unallocated assets comprise mainly unallocated cash and cash equivalents and income tax assets. Unallocated liabilities comprise mainly bond loans and income tax liabilities.

Data presented in the table below are aggregated by type of development within the geographical location:

		<i>In thousands of Polish Zlotys (PLN)</i>										As at 31 December 2019		
		Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
		Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Segment assets		478,448	108,162	34,104	10,098	90,333	-	88,723	-	100,179	-	-	(21,510)	888,537
Unallocated assets		-	-	-	-	-	-	-	-	-	-	54,646	-	54,646
Total assets		478,448	108,162	34,104	10,098	90,333	-	88,723	-	100,179	-	54,646	(21,510)	943,183
Segment liabilities		214,686	38,902	22,090	-	49,344	-	50,928	-	37,333	-	-	(22,090)	391,193
Unallocated liabilities		-	-	-	-	-	-	-	-	-	-	201,496	-	201,496
Total liabilities		214,686	38,902	22,090	-	49,344	-	50,928	-	37,333	-	201,496	(22,090)	592,689

		<i>In thousands of Polish Zlotys (PLN)</i>										As at 31 December 2018		
		Warsaw				Poznań		Wrocław		Szczecin		Unallocated	IFRS adjustments	Total
		Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Segment assets		460,810	68,847	75,727	8,743	65,217	-	109,219	-	72,028	-	-	(72,288)	788,303
Unallocated assets		-	-	-	-	-	-	-	-	-	-	16,818	-	16,818
Total assets		460,810	68,847	75,727	8,743	65,217	-	109,219	-	72,028	-	16,818	(72,288)	805,121
Segment liabilities		155,832	12,169	68,848	-	12,400	-	56,929	-	8,062	-	-	(68,848)	245,392
Unallocated liabilities		-	-	-	-	-	-	-	-	-	-	216,249	-	216,249
Total liabilities		155,832	12,169	68,848	-	12,400	-	56,929	-	8,062	-	216,249	(68,848)	461,641

Consolidated Financial Statements for the year ended 31 December 2019

Notes to the Consolidated Financial Statements

5. Segment reporting (cont'd)

	For the year ended 31 December 2019												
	Warsaw				Poznań		Wroclaw		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Revenue	161,545	15,118	87,190	767	10,392	-	41,621	-	3,175	-	-	(87,190)	232,618
Segment result	33,558	108	20,688	431	(3,228)	-	5,696	-	1,347	-	-	(11,606)	46,994
Unallocated result	-	-	-	-	-	-	-	-	-	-	(20,801)	-	(20,801)
Result from operating activities	33,558	108	20,688	431	(3,228)	-	5,696	-	1,347	-	(20,801)	(11,606)	26,193
Net finance income/ (expenses)	(105)	(22)	(216)	(37)	(28)	-	(30)	-	(17)	-	(3,873)	216	(4,112)
Profit/(loss) before tax	33,453	86	20,472	394	(3,256)	-	5,666	-	1,330	-	(24,674)	(11,390)	22,081
Income tax expenses													(4,667)
Profit for the year													17,414
Capital expenditure	830	-	-	-	-	-	317	-	-	-	402	-	1,549

	For the year ended 31 December 2018												
	Warsaw				Poznań		Wroclaw		Szczecin		Unallocated	IFRS adjustments	Total
	Apartments	Houses	Joint venture	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses			
Revenue	191,491	26,926	28,877	859	33,970	-	11,390	-	29,451	-	-	(28,877)	294,087
Segment result	37,817	2,762	7,548	575	(4,726)	-	2,582	-	(1,040)	-	-	(4,730)	40,788
Unallocated result	-	-	-	-	-	-	-	-	-	-	(17,423)	-	(17,423)
Result from operating activities	37,817	2,762	7,548	575	(4,726)	-	2,582	-	(1,040)	-	(17,423)	(4,730)	23,365
Net finance income/ (expenses)	283	21	29	-	(126)	-	(12)	-	(18)	-	(4,850)	(29)	(4,702)
Profit/(loss) before tax	38,100	2,783	7,577	575	(4,852)	-	2,570	-	(1,058)	-	(22,273)	(4,759)	18,663
Income tax expenses													(3,592)
Profit for the year													15,071
Capital expenditure	-	-	-	-	-	-	-	-	-	-	377	-	377

Notes to the Consolidated Financial Statements

6. Acquisition of the Nova Królikarnia project

On 10 April 2018, the Company completed the acquisition of certain shares in and loans granted to project companies owning properties constituting the Nova Królikarnia project for a price of PLN 83.8 million under a sale and purchase agreement with Global City Holdings B.V. ('GCH'). The Nova Królikarnia project is located around Jaśminowa street in Warsaw and consists of 197 units and an aggregate floor space of 19,500 m² (at the day of the transaction the project included, completed projects with 53 units and an aggregate floor space of 4,950 m², projects under construction with 126 units and an aggregate floor space of 11,150 m² and a project in pipeline with 18 units and an aggregate floor space of 3,400 m²).

From the above mentioned PLN 83.8 million, an amount of PLN 70.8 million has been paid by the Company to GCH during the year ended 31 December 2018 while PLN 13.0 million was paid during the year ended 31 December 2019.

The transaction was qualified as an asset deal. The surplus between the purchase price (including transaction cost) and the net assets value of Nova Group as the transaction date, was allocated to the inventory. The assets and liabilities of Nova Królikarnia project on a consolidated basis as at the date of acquisition were:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 10 of April 2018
Assets	
Property and equipment	475
Deferred tax assets	983
Inventory	136,336
Trade and other receivables and prepayments	2,130
Other current financial assets	17,035
Cash and cash equivalents	3,780
Total assets	160,739
Liabilities	
Deferred tax liabilities	103
Trade and other accounts payable	9,231
Advances received	62,180
Provision	1,600
Income tax payable	2,755
Total liabilities	75,869
Total net assets	84,870
Purchase consideration	83,770
Transaction costs	1,100
Total	84,870

Notes to the Consolidated Financial Statements

6. Acquisition of the Nova Królikarnia project (cont'd)

In addition, the Company and GCH have concluded a call option agreement for a total value of PLN 78.9 million, under which the Company has been granted three call options with respect to the shares in the eight other project companies holding the remaining stages of the Nova Królikarnia project, which allows the Company to develop 161 units with an aggregate floor space of approximately 21,500 m².

On 5 April 2019, the Company exercised the first call option under the Call Option Agreements for the total price of PLN 33.9 million as a result of which the Company (via its subsidiary) acquired shares in companies holding four substages of Nova Królikarnia project comprising 84 units with an aggregate floor space of around 9,200 m². Moreover the Company signed the annex changing the schedule of payment of the first call option in which the price is determined to be paid in three installments: PLN 7.0 million was paid in April 2019, PLN 16.9 million was paid in October 2019 and PLN 10.0 million is to be paid in October 2020.

On 7 October 2019, the Company exercised the second call option under the Call Option Agreements for the total price of PLN 35.1 million as a result of which the Company (via its subsidiary) acquired shares in companies holding three substages of Nova Królikarnia project comprising 44 units with an aggregate floor space of around 9,000 m². Moreover the Company signed the annex changing the schedule of payment of second call option in which the price is determined to be paid in three installments: PLN 8.1 million was paid in October 2019, PLN 5.0 million was paid in February 2020 and PLN 22.0 million is to be paid in April 2020.

The third and last option with an aggregate floor space of 3,300 m² for a total value of PLN 9.9 million shall be executed the latest till April 2020. Certain fees in the maximum amount of PLN 1.5 million will be due by the Company if the Company does not exercise its third call option within the agreed-upon deadline.

The table below presents the analysis of cash flows on the acquisition of the Nova Królikarnia project:

For the year ended 31 December <i>In thousands of Polish Zlotys (PLN)</i>	2019	2018
Purchase consideration paid (Nova Królikarnia transaction)	13,000	70,770
Purchase consideration paid (Call Option I)	23,916	-
Purchase consideration paid (Call Option II)	8,084	-
Transaction costs	1,071	1,100
Less: Net cash acquired at the transaction date	(2)	(3,780)
Net cash outflow	46,069	68,090

As at 31 December 2019, the total payables related to acquisition of Nova Królikarnia project amount to PLN 37.0 million and is presented in the Consolidated Statement of Financial Position as a current liability under Trade and other payables and accrued expenses.

A package of customary security, such as mortgages, share pledges and statement on submission to voluntary enforcement has been established for the benefit of GCH to secure the obligations of the Company under the sale and purchase agreement and the call option agreement. Also, it has been agreed with GCH that the Company will continue to manage the Nova Królikarnia project in whole, including the stages of the project that are related to the call option agreement.

Consolidated Financial Statements for the year ended 31 December 2019**Notes to the Consolidated Financial Statements****7. Revenue**

The majority of Group's revenues are generated through development and sale of units, primarily apartments, in residential real-estate projects to individual customers in Poland ("residential units"). The Group recognizes revenues at the moment performance obligations are satisfied. According to Group's policy the performance obligation is satisfied at the moment, the residential unit is handed over to the customer, which happens only after construction process is finalized and issuance of occupancy permit, based on hand-over protocol signed between the Group representatives and the customer and provided that the entire amount resulting from the sale agreement has been paid by the customer. The agreements with the customers do not contain variable considerations. The agreements, in the opinion of the Group, do not contain a significant financing component. Based on such characteristics of revenues, the Group, as a rule, does not present any receivables or other contract assets, except for costs to obtain the contract, capitalized to prepayments. Contract liabilities, are reflected by advances received, which are disclosed in the Note 31.

The table below presents breakdown of Revenue from residential projects per project:

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Miasto Moje I & II	51,979	56,520
Vitalia I & II	29,763	9,681
City Link III	30,950	-
Nova Królikarnia 1a - 1e	28,162	69,007
Nova Królikarnia 2a & 2b	50,998	-
Chilli IV	6,103	4,204
Miasto Marina	4,356	-
Panoramika IV	2,241	-
Moko	8,847	25,557
Młody Grunwald	3,775	29,369
Espresso	1,874	60,469
Panoramika I-III	934	29,452
Other (old) projects ⁽¹⁾	3,482	7,516
Total revenue	223,464	291,775

(1) Other revenue are related to sales of 3 units, parking places and storages in old projects that were completed in previous years, as well as, rental revenues.

Revenues from sale of land are associated with the sales of property located in Wrocław, at Buforowa Street. In December 2018, a subsidiary of the Company signed a preliminary sale agreement. The selling price was set at PLN 6.5 million increased by VAT. On 25 February 2019, the final agreement for the sale of the property was signed and full amount was received during the year ended 31 December 2019.

Revenues from sale of services are associated with fee income for management services provided to joint ventures. Revenues from sale of services amounted to PLN 2,654 thousand during the year ended 31 December 2019 and to PLN 2,312 thousand during the year ended 31 December 2018.

Consolidated Financial Statements for the year ended 31 December 2019

Notes to the Consolidated Financial Statements

8. Cost of sales

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Miasto Moje I & II	40,632	43,046
Vitalia I & II	24,644	7,617
City Link III	18,955	-
Nova Królikarnia 1a - 1e	24,124	60,098
Nova Królikarnia 2a & 2b	45,909	
Chilli IV	5,878	3,907
Miasto Marina	4,356	-
Panoramika IV	2,241	-
Moko	6,545	18,042
Młody Grunwald	3,775	29,479
Espresso	1,454	47,344
Panoramika I-III	926	29,415
Other (old) projects	3,139	6,512
Write-down/(reversal) of inventory and residential land bank ⁽¹⁾	(594)	2,937
Total cost of sales	181,984	248,397

(1) For additional information see Note 20.

9. Selling and marketing expenses

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Advertising	4,560	3,845
Depreciation	509	585
Other	734	672
Total selling and marketing expenses	5,803	5,102

10. Administrative expenses

For the year ended 31 December		2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>			
	<i>Note</i>		
Personnel expenses	11	14,450	11,844
External services		2,889	3,240
Consulting fees to main shareholder		840	840
Materials and energy		653	627
Depreciation		474	436
Taxes and charges		157	94
Other		718	602
Total administrative expenses		20,181	17,683

Consolidated Financial Statements for the year ended 31 December 2019**Notes to the Consolidated Financial Statements****11. Personnel expenses**

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Wages and salaries	12,489	10,113
Social security and other benefits	1,961	1,731
Total personal expenses	14,450	11,844
Average number of personnel employed	73	73

12. Other expenses

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Maintenance expense of unsold units	1,344	1,908
Cost of repairs and defects	1,087	1,043
Expense for contractual penalties and compensation	274	23
Settlement of VAT related of previous and current period	399	301
Write-down of trade receivables	163	68
Cost of research and due diligence of new projects	63	6
Cost of Group restructuring	-	264
Other expenses	433	321
Total other expenses	3,763	3,934

13. Other income

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Revenues from contractual penalties and compensation	337	464
Rental income from inventory	706	963
Net profit on sale of property and equipment	115	24
Return of perpetual usufruct from the city hall related to previous years	508	-
Other income	68	125
Total other income	1,734	1,576

Consolidated Financial Statements for the year ended 31 December 2019

Notes to the Consolidated Financial Statements

14. Finance income and expense

For the year ended 31 December 2019

<i>In thousands of Polish Zlotys (PLN)</i>	Total amount	Amount capitalized	Amount capitalized (under IFRS16)	Recognized in the statement of comprehensive income
Interest on granted loans	257	-	-	257
Interest income on bank deposits	396	-	-	396
Other finance income	97	-	-	97
Finance income	750	-	-	750
Interest expense on financial liabilities	(11,013)	7,187	-	(3,826)
Commissions and fees	(2,651)	1,766	-	(885)
Other finance expense	(221)	106	-	(115)
Finance expense	(13,885)	9,059	-	(4,826)
Finance expense - on lease liabilities	(2,141)	-	2,105	(36)
Net finance expense	(15,276)	9,059	2,105	(4,112)

For the year ended 31 December 2018

<i>In thousands of Polish Zlotys (PLN)</i>	Total amount	Amount capitalized	Recognized in the statement of comprehensive income
Interest income on granted loans	44	-	44
Interest income on bank deposits	510	-	510
Other finance income	184	-	184
Finance income	738	-	738
Interest expense on financial liabilities	(11,572)	7,061	(4,511)
Commissions and fees	(2,496)	1,690	(806)
Other finance expense	(123)	-	(123)
Finance expense	(14,191)	8,751	(5,440)
Net finance expense	(13,453)	8,751	(4,702)

Consolidated Financial Statements for the year ended 31 December 2019

Notes to the Consolidated Financial Statements

15. Income tax

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Current tax		
Current period	3,438	8,328
Taxation in respect of previous periods	363	(10)
Total current tax expense	3,801	8,318
Deferred tax		
Origination and reversal of temporary differences	932	(7,110)
Tax losses utilized/(recognized)	(66)	2,384
Total deferred tax expense/(benefit)	866	(4,726)
Total income tax expense	4,667	3,592
Reconciliation of effective tax rate		
For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Profit/(loss) for the year	17,414	15,071
Total income tax expense/(benefit)	4,667	3,592
Profit/(loss) before taxation	22,081	18,663
<i>Expected income tax using the Polish tax rate (19%)</i>	4,195	3,546
Tax effect of:		
Taxes in respect of previous periods	363	(10)
Non-deductible expenses, net	567	816
Movement in unrecognized deferred tax assets on loss carry forward in Poland	938	122
Movement in unrecognized deferred tax assets on loss carry forward in the Netherlands	-	(597)
Tax benefit in connection with the organizational restructuring of the Group	(2,422)	(1,930)
Reversal of surplus from Nova Królikarnia Transaction ⁽¹⁾	1,770	1,992
Unrecognised deferred tax assets on accrued interest in previous periods	(325)	-
Other differences	(419)	(347)
Tax expense for the year	4,667	3,592
Effective tax rate	21.14%	19.25%

⁽¹⁾ The surplus between the purchase price (including transaction cost) and the net assets value of Nova Group as the transaction date, was allocated to the inventory, in relation to which the provision for deferred income tax was not recognized on the basis of an exception (IAS 12 par. 15 (b)).

Consolidated Financial Statements for the year ended 31 December 2019

Notes to the Consolidated Financial Statements

16. Property and equipment

For the year ended 31 December 2019

<i>In thousands of Polish Zlotys (PLN)</i>	Vehicles	Equipment	Building	Total
Cost or deemed cost				
Balance at 1 January	1,220	2,941	8,116	12,277
Additions	600	433	516	1,549
Sales and disposals	(310)	-	-	(310)
Closing balance	1,510	3,374	8,632	13,516
Depreciation				
Balance at 1 January	669	1,897	1,725	4,291
Depreciation for the period	223	538	222	983
Sales and disposals	(310)	-	-	(310)
Closing balance	582	2,435	1,947	4,964
Carrying amounts				
At 1 January	551	1,044	6,391	7,986
Closing balance	928	939	6,685	8,552

For the year ended 31 December 2018

<i>In thousands of Polish Zlotys (PLN)</i>	Vehicles	Equipment	Building	Total
Cost or deemed cost				
Balance at 1 January	1,016	2,466	8,116	11,598
Acquisition of the Nova Królikarnia project ⁽¹⁾	-	475	-	475
Additions	377	-	-	377
Sales and disposals	(173)	-	-	(173)
Closing balance	1,220	2,941	8,116	12,277
Depreciation				
Balance at 1 January	625	1,275	1,529	3,429
Depreciation for the period	203	622	196	1,021
Sales and disposals	(159)	-	-	(159)
Closing balance	669	1,897	1,725	4,291
Carrying amounts				
At 1 January	391	1,191	6,587	8,169
Closing balance	551	1,044	6,391	7,986

(1) For additional information see Note 6.

As at 31 December 2019 and 31 December 2018, the Property for the amount of PLN 5,402 thousands and of PLN 5,575 thousands was used to secure bond loans series R, respectively.

Impairment loss

In the years ended 31 December 2019 and 31 December 2018, the Group did not recognize any impairment loss with respect to property and equipment.

Notes to the Consolidated Financial Statements

17. Investment property

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance at 1 January	8,743	8,743
IFRS 16 adjustment (see Note 2(f))	553	-
Change in fair value during the year	802	-
Balance as at 31 December	10,098	8,743
<i>Cost</i>	<i>4,058</i>	<i>4,058</i>
<i>IFRS 16 adjustment (see Note 2(f))</i>	<i>553</i>	<i>-</i>
<i>Fair value adjustments</i>	<i>5,487</i>	<i>4,685</i>

As at 31 December 2019, the investment property included property held for long-term rental yields and capital appreciation, and were not occupied by the Group. The investment property consists of two real estate objects located in Warsaw:

- i) a plot of land (71, Gwiaździsta Street) and an office building with an aggregate usable floor space of 1,318 m² located on this plot that is leased to third parties under lease agreements with an indefinite term subject to a three-month notice period for termination ("Bielany IP),
- ii) one commercial (office) unit located at 57, KEN Avenue (in the Gemini I project), with a total aggregate usable floor space of 89 m² leased to third parties with an indefinite term.

Investment property is valued at fair value determined as at 31 December 2019 by an independent appraiser, having an appropriate recognized professional qualification, based on current prices on an active market. As at 31 December 2018, the fair value of Investment property was determined by the Management.

As at 31 December 2019, the Bielany IP was valued based on the discounted cash flow approach, including the assumption as to an annual discount rate of 7 % (during a 6 year forecast period), a capitalization exit yield of 7.5%, a monthly rate of PLN 43 per m². If the yields used for the appraisals of investment property on 31 December 2019, had been 100 basis points higher than was the case at that time, the value of the investments would have been 12% lower. In this situation, the Company's shareholders' equity would have been PLN 1 million lower.

During the year ended 31 December 2019 and 2018 the rental income from investment property amounted to PLN 767 thousand and PLN 859 thousand, respectively.

The investment properties are currently occupied.

The investment properties are used to secure bond loans series R.

Consolidated Financial Statements for the year ended 31 December 2019**Notes to the Consolidated Financial Statements****18. Investment in joint ventures**

As at 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Loans granted	12,311	-
Share in net equity value of joint ventures	283	3,439
The Company's carrying amount of the investment	12,594	3,439
Presented as Loans granted to joint ventures (current assets)	(1,977)	-
Investment in joint ventures	10,617	3,439

Share of profit/(loss) from joint ventures

The Investment in joint ventures comprise the Company's 50% interest in four joint ventures companies: Ronson IS sp. z o.o. and in Ronson IS Sp. z o.o. Sp.k., both involved in the development and sale of residential units in Warsaw known as City Link I and II, as well as Coralchief Sp. z o.o. and Coralchief Sp. z o.o. – Projekt 1 Sp.k. which are running the Wilanów Tulip project. The investments in joint ventures are accounted for using the equity method.

The table below present the movements in the share in net equity value of joint ventures:

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Opening balance	3,439	5,162
Share of profit/(loss) from joint ventures		
Net result from joint ventures during the year	8,825	2,774
Offsetting net results of the joint ventures with intercompany interest during the year	257	44
Share of profit/(loss) from joint ventures	9,082	2,818
Dividend paid	(12,836)	(4,497)
Closing balance before offset	(315)	3,483
Cancelling the offset of intercompany interest accrued during the year	(257)	(44)
Closing balance	(572)	3,439
Offset of the negative result from joint venture during the year	855	-
Total closing balance	283	3,439

Consolidated Financial Statements for the year ended 31 December 2019**Notes to the Consolidated Financial Statements****18. Investment in joint ventures (cont'd)****Share of profit/(loss) from joint ventures (cont'd)**

Summarised financial information of the joint ventures is presented below:

As at 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Assets		
Fixed assets	98	-
Inventory	26,011	62,624
Cash and cash equivalents	2,511	915
Other current financial assets	2,560	11,694
Loans granted to related parties	1,977	-
Other assets	947	494
Liabilities		
Loans from shareholders	(26,143)	-
Advances received	(4,620)	(63,738)
Other liabilities	(4,485)	(5,110)
Equity	(1,144)	6,879
Company share	(572)	3,439

The summarised statement of comprehensive income for the joint ventures in aggregate is as follows:

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Revenue	87,190	28,877
Cost of sales	(65,300)	(20,173)
Gross profit	21,890	8,704
Administrative expenses ⁽¹⁾	(3,058)	(2,656)
Selling and marketing expenses	(429)	(6)
Other income/(expenses)	(277)	(476)
Finance income	75	90
Finance expenses	(548)	(105)
Profit/(loss) before taxation	17,653	5,551
Income tax benefit/(expenses)	(1)	(3)
Profit for the year (continuing operations)	17,652	5,548
Total comprehensive income for the year (continuing operations)	17,652	5,548
The Company's share of profit/(loss) for the year	8,825	2,774

(1) Including management fee to the Group amounting to PLN 2,564 thousand and PLN 1,982 thousand during the year ended 31 December 2019 and 31 December 2018, respectively.

Notes to the Consolidated Financial Statements

18. Investment in joint ventures (cont'd)

Loans granted to the joint ventures

The table below present the movements in the loans granted to the joint ventures.

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Opening balance	-	6,921
Loans granted	16,190	-
Loans repaid	(3,450)	(1,312)
Accrued interest	514	87
Interest paid	(88)	(5,696)
Total closing balance before offset	13,166	-
Offset of the negative result from joint venture during the year	(855)	-
Total closing balance after offset	12,311	-

As at 31 December 2019, from the total amount of loans granted to joint ventures (amounting in total to PLN 13,166 thousand – before offset) loans in the aggregate amount of PLN 1,977 thousand are maturing no later than 31 December 2020. The short term loans granted to joint ventures cannot be regarded as a part of the investment in joint ventures and are presented in the Consolidated Statement of the Financial Position under current assets as Loans granted to joint ventures.

The loans granted to joint venture bear a variable rate of WIBOR 6m plus 4% margin. The loans repaid during the year ended 31 December 2018 was bearing a variable rate of 6.6% (variable interest is charged based on the latest interest rate as charged on the construction credit/loan granted by the banks to the Group and increased by 2%, and updated at beginning of each calendar year).

Consolidated Financial Statements for the year ended 31 December 2019

Notes to the Consolidated Financial Statements

19. Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities as at the beginning and end of the financial periods are attributable to the following:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2019	Recognized in the statement of comprehensive income	Closing balance 31 December 2019
Deferred tax assets			
Tax loss carry forward	2,058	66	2,124
Accrued interest	2,348	1,356	3,704
Accrued expense	777	(120)	657
Write-down of inventory and residential landbank	2,788	(336)	2,452
Other*	1,437	2,669	4,106
Total deferred tax assets	9,408	3,635	13,043
Deferred tax liabilities			
Difference between tax base and carrying value of inventory	9,521	4,211	13,732
Accrued interest	-	437	437
Fair value gain on investment property	890	152	1,042
Other	814	(299)	515
Total deferred tax liabilities	11,225	4,501	15,726
Total deferred tax benefit (see Note 15)		866	
Deferred tax assets	9,408		13,043
Deferred tax liabilities	11,225		15,726
Offset of deferred tax assets and liabilities for individual companies	(3,877)		(6,108)
Deferred tax assets reported in the Consolidated Statement of Financial Position	5,531		6,935
Deferred tax liabilities reported in the Consolidated Statement of Financial Position	7,348		9,618

* Including deferred tax asset from contributions.

Consolidated Financial Statements for the year ended 31 December 2019**Notes to the Consolidated Financial Statements****19. Deferred tax assets and liabilities (cont'd)**

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2018	Recognized in the statement of comprehensive income	Acquisition of Nova Królikarnia Project ⁽¹⁾	Closing balance 31 December 2018
Deferred tax assets				
Tax loss carry forward	3,673	(2,384)	769	2,058
Accrued interest	1,848	500	-	2,348
Accrued expense	454	19	304	777
Write-down of inventory and residential landbank	2,400	388	-	2,788
Other	431	1,006	-	1,437
Total deferred tax assets	8,806	(471)	1,073	9,408
Deferred tax liabilities				
Difference between tax base and carrying value of inventory	13,646	(4,318)	193	9,521
Accrued interest	1,066	(1,066)	-	-
Fair value gain on investment property	890	-	-	890
Other	627	187	-	814
Total deferred tax liabilities	16,229	(5,197)	193	11,225
Total deferred tax benefit (see Note 15)		(4,726)		
Deferred tax assets	8,806			9,408
Deferred tax liabilities	16,229			11,225
Offset of deferred tax assets and liabilities for individual companies	(4,781)			(3,877)
Deferred tax assets reported in the Consolidated Statement of Financial Position	4,025			5,531
Deferred tax liabilities reported in the Consolidated Statement of Financial Position	11,448			7,348

⁽¹⁾ For additional information see Note 6.

Realization of deferred tax assets

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset (before offsetting against deferred tax liability), the Group will need to generate future taxable income of approximately PLN 68,647 thousand. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible. The management believes there is a higher probability that the Group will realize the benefits of these deductible differences. The amount of the deferred tax asset which is considered realizable, could however be reduced in the near term if estimates of future taxable income during the tax loss carry-forward period are reduced.

Tax losses in Poland are required to be utilized within 5 years following the period in which they originated, subject to the limitation that a maximum of 50% of the loss carry-forward can be used in one year.

Consolidated Financial Statements for the year ended 31 December 2019**Notes to the Consolidated Financial Statements****19. Deferred tax assets and liabilities (cont'd)****Tax losses carry forward**

As at 31 December	2019			2018		
	Recognized tax losses	Unrecognized tax losses	Total tax losses	Recognized tax losses	Unrecognized tax losses	Total tax losses
<i>In thousands of Polish Zlotys (PLN)</i>						
Tax loss 2014 carried forward	-	-	-	-	78	78
Tax loss 2015 carried forward	3	47	50	613	87	700
Tax loss 2016 carried forward	-	145	145	1,100	145	1,245
Tax loss 2017 carried forward	3,950	4,086	8,036	8,348	153	8,501
Tax loss 2018 carried forward	4,050	386	4,436	770	348	1,118
Tax loss 2019 carried forward	3,179	965	4,144	-	-	-
Total tax losses carried forward	11,182	5,629	16,811	10,831	811	11,642

The deferred tax assets on tax losses carried forward expire in the following years:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2019
2020	1
2021	-
2022	1,082
2023	712
2024	329
Total deferred tax asset in respect of tax losses carried forward	2,124

Movement in unrecognized deferred tax assets on tax losses carried forward

Unrecognized deferred tax assets on tax losses carried forward in Poland are presented in the table below:

<i>In thousands of Polish Zlotys (PLN)</i>	Balance 1 January 2018	Tax losses expired	Additions/ (Realizations)	Balance 31 December 2018	Tax losses expired	Additions/ (Realizations)	Balance 31 December 2019
Tax losses	216	(184)	122	154	(22)	938	1,070
Total	216	(184)	122	154	(22)	938	1,070

Unrecognized deferred tax assets

A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized. Unrecognized deferred tax assets relate primarily to tax loss carry-forwards, which are not considered probable of realization prior to their expiration.

Until 31 October 2018, the Company was domiciled in the Netherlands. As a result, until that date the Company's tax returns were filed with the Dutch tax authorities. Following the transfer of office to Poland, all of the Company's (Dutch) tax losses carried forward are no longer available for compensation in future years. The Company didn't create deferred tax assets on those losses in previous years.

The Company did not recognize the entire deferred tax asset at consolidation level resulting from contributions as the recoverability of such assets is uncertain. Total unrecognized deferred tax assets as at 31 December 2019 are estimated to be PLN 5,035 thousand (31 December 2018: PLN 6,640 thousand).

Unrecognized deferred tax liabilities

Unrecognized deferred tax liabilities with respect to acquisition of Nova Królikarnia project amounts to PLN 1,576 thousand (IAS 12 par. 15(b)) as at 31 December 2019.

Consolidated Financial Statements for the year ended 31 December 2019

Notes to the Consolidated Financial Statements

20. Inventory and Residential land bank

For the year ended 31 December 2019:

Inventory

<i>In thousands of Polish Zlotys (PLN)</i>	As at 1 January 2019	Acquisition of Nova Królikarnia ⁽¹⁾	Transferred to finished units	Additions	As at 31 December 2019
Land and related expense	294,484	70,108	(74,596)	3,596	293,592
Construction costs	172,340	-	(221,401)	180,528	131,467
Planning and permits	20,359	-	(6,661)	6,710	20,408
Borrowing costs ⁽²⁾	36,205	-	(12,973)	9,059	32,291
Borrowing costs on lease and depreciation of the perpetual usufruct right ⁽³⁾	-	-	(889)	2,545	1,656
Other	4,772	-	(3,543)	3,197	4,426
Work in progress	528,160	70,108	(320,063)	205,635	483,840
<i>In thousands of Polish Zlotys (PLN)</i>	As at 1 January 2019		Transferred from work in progress	Recognized in the statement of comprehensive income	As at 31 December 2019
Finished goods	78,491		320,063	(181,431)	217,123
<i>In thousands of Polish Zlotys (PLN)</i>	As at 1 January 2019		Revaluation write-down recognized in statement of comprehensive income		As at 31 December 2019
Write-down	(9,724)		Reversal	Utilization	(6,023)
<i>In thousands of Polish Zlotys (PLN)</i>	As at 1 January 2019	First adoption /Recalculation adjustment of IFRS 16	Depreciation	Transfer to Other receivables	As at 31 December 2019
Perpetual usufruct rights ⁽³⁾	-	25,872	(440)	(2,312)	23,120
Inventory, valued at lower of - cost and net realisable value	596,927				718,060

(1) For additional information see Note 6.

(2) Borrowing costs are capitalized to the value of inventory with 5.78% average effective capitalization interest rate.

(3) For additional information see Note 2(f).

Consolidated Financial Statements for the year ended 31 December 2019

Notes to the Consolidated Financial Statements

20. Inventory and Residential landbank (cont'd)

For the year ended 31 December 2018:

Inventory

<i>In thousands of Polish Zlotys (PLN)</i>	As at 1 January 2018	Nova Królikarnia project as at the acquisition date ⁽¹⁾	Reclassified to Residential land bank ⁽⁵⁾	Reclassified to Land for sale ⁽⁴⁾	Transferred to finished units	Additions	As at 31 December 2018
Land and related expense	238,700	49,753	(41,515)	(5,777)	(32,782)	86,105 ⁽²⁾	294,484
Construction costs	88,346	43,233	-	-	(104,869)	145,630	172,340
Planning and permits	15,383	3,904	(1,446)	(10)	(2,757)	5,285	20,359
Borrowing costs ⁽³⁾	39,842	252	(7,871)	(401)	(4,368)	8,751	36,205
Other	3,244	1,351	(347)	(117)	(1,814)	2,455	4,772
Work in progress	385,515	98,493	(51,179)	(6,305)	(146,590)	248,226	528,160

<i>In thousands of Polish Zlotys (PLN)</i>	As at 1 January 2018	Nova Królikarnia project as at the acquisition date ⁽¹⁾	Reclassified to Residential land bank ⁽⁵⁾	Reclassified to Land for sale	Transferred to finished units	Recognized in the statement of comprehensive income	As at 31 December 2018
Finished goods	139,664	37,843	-	-	146,590	(245,606)	78,491

<i>In thousands of Polish Zlotys (PLN)</i>	As at 1 January 2018	Reclassified to Residential landbank ⁽⁵⁾	Reclassified to Land for sale	Revaluation write-down recognized in statement of comprehensive income		As at 31 December 2018
				Increase	Utilization	
Write-down	(13,081)	4,952	-	(2,937)	1,342	(9,724)

Inventory, valued at lower of cost and net realisable value	512,098					596,927
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(1) See Note 6.

(2) The increase is mainly related to the reclassification of Ursus land from Advances for land to Inventory.

(3) Borrowing costs are capitalized to the value of inventory with 5.94% average effective capitalization interest rate.

(4) In December 2018, a subsidiary of the Company concluded an agreement for the sale of a property right located in Wrocław, at Buforowa Street to an unrelated entity. The sale price was set at PLN 6.5 million increased by VAT.

(5) See Residential land bank above.

Consolidated Financial Statements for the year ended 31 December 2019**Notes to the Consolidated Financial Statements****20. Inventory and Residential landbank (cont'd)***Residential land bank*

In December 2018, plots of land purchased for development purposes on which construction is not planned within a period of three years has been reclassified as Residential landbank presented within Non-current assets. The table below presents the movement in the Residential landbank:

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zloty (PLN)</i>		
Opening balance	46,227	-
Reclassified from inventory	-	46,227
Addition	24	-
Write-down adjustment	(1,930)	-
Total closing balance	44,321	46,227
Closing balance includes:		
Book value	51,203	51,179
Write-down adjustment	(6,882)	(4,952)
Total Closing balance	44,321	46,227

Write-down revaluating the inventory and residential land bank:

The Management internally assessing the net realizable value of the inventory and residential land bank and decreased the value when the net realizable value is lower than the cost amount. In view of the situation in the property market in which the Group operates, during the year ended 31 December 2019 and 31 December 2018 the Group performed an inventory and residential land bank review with regard to its valuation to net realizable value based on the most reliable evidence available to the Group.

During the year ended 31 December 2019 the Group reversed a write-down adjustment made during previous periods of PLN 3,369 thousand, whereas a write-down adjustment of PLN 2,775 thousand was made (net positive impact of PLN 594 thousand), which is included as part of cost of sales in the Consolidated Statement of Comprehensive Income. During the year ended 31 December 2018 the Group made a write-down adjustment of PLN 2,937 thousand. The Group examined a possible write-down on inventory for each project separately, according to the projection of revenues net of cost of sales.

The valuation of inventory and residential land bank is as follows:

As at 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Valued at cost	610,829	504,852
Valued at net realizable value	151,552	138,302
Total Inventory and residential land bank	762,381	643,154

For information about future commitments to the general contractor for construction services related to inventory construction, see Note 35. For information about the balance sheet value of Inventory and Residential land bank used to secure banks loans and bond loans (series R and U), see Note 27.

Consolidated Financial Statements for the year ended 31 December 2019**Notes to the Consolidated Financial Statements****21. Trade and other receivables and prepayments**

As at 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Value added tax (VAT) receivables	12,361	6,641
Trade and other receivables	3,696	3,252
Trade and other receivables - IFRS 16 ⁽²⁾	1,753	-
Bid bond ⁽¹⁾	1,437	1,437
Prepayments	5,498	3,363
Total trade and other receivables and prepayments	24,745	14,693

(1) On 27 June 2018 a subsidiary of the Company submitted the highest bid for a plot of land located in the Wola district as part of certain enforcement proceedings. After submitting the offer, further enforcement proceedings have been suspended and have not been completed yet.

(2) For additional information see Note 2.

During the year ended 31 December 2019 and 31 December 2018, the Group wrote down an amount of PLN 163 thousand and PLN 68 thousand, respectively as irrecoverable debts included in trade and other receivables.

22. Other current financial assets

Other current financial assets comprise escrow accounts only. The regulations related to the activity of the residential developers imposed on all residential developers in Poland an obligation to open an escrow account for all customers purchasing residential units during the construction period. According to these regulations, all amounts paid by the customers have to be paid directly to the escrow account. The developer is entitled to receive the money only once certain conditions – related mainly to progress of the construction process – are met or the upon the transfer of the ownership of the apartment to the customer.

As long as the money is kept in the escrow account, the Company cannot dispose of the cash in any way.

23. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits freely available for the Group. Cash at bank comprises of overnight deposits, the short-term deposits have an original maturity varying from one day to three months.

As at 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Cash at bank and in hand	59,982	34,641
Short-term deposit	31,780	33,890
Restricted cash	3,829	32,297
Total cash and cash equivalents	95,591	100,828

Cash at bank earns interest at floating rates based on daily bank deposit rates. As at 31 December 2019 and 31 December 2018 the Group held in saving accounts amounting to PLN 45,269 thousand and PLN 22,118 thousand, respectively. As at 31 December 2019 and 31 December 2018 the saving accounts that earn interest rates varying between 0.85% - 1.10% and 0.85% - 1.10%, respectively.

Short-term deposits have a duration varying between one day and three months depending on the immediate cash requirements of the Group. As at 31 December 2019 and 31 December 2018, they earn interest at the respective short-term deposit rates varying between 0.35% - 1.2% and 0.35% - 1.2%, respectively.

Restricted cash are pledge to the benefit of banks for securing construction loans.

For information about the fair value of cash and cash equivalents see Note 33.

Notes to the Consolidated Financial Statements

24. Shareholders' equity

Share capital

The authorized share capital of the Company consists of 800,000,000 shares of EUR 0.02 par value each. The number of issued and outstanding ordinary shares as at 31 December 2019 amounted to 164,010,813 (as at 31 December 2018: 164,010,813 shares issued and outstanding). The number of outstanding shares equals the number of votes, as there are no privileged shares issued by the Company. As at 31 December 2019, the Company held 674,900 own shares (0.41%) in treasury (see below) and, in accordance with art. 364 § 2 of the Code of Commercial Companies, it does not exercise voting rights from own shares.

There are no restrictions regarding dividend payments, future dividends may be proposed and paid.

Treasury shares

During the Extraordinary General Meeting of Shareholders held on 24 January 2019, the shareholders of the Company resolved to approve a share buyback program and the establishment of a capital reserve for the purpose of such program, whereby the Management Board of the Company is authorized to purchase ordinary bearer shares in the Company subject to certain terms and conditions which among others include the following:

- the Company may purchase own shares with an aggregate nominal value representing no more than 1.53% of the share capital of the Company, i.e. up to 2,500,000 shares;
- the purchase price for one share cannot be:
 - a) lower than the nominal value of one share in the Company, i.e. EUR 0.02 per share, and
 - b) higher than the book value of the Company per one share (calculated on a basis of audited financial statement for year 2017), i.e. PLN 2.10 per share;
- the maximum amount allocated for the purchase of own shares shall not be higher than PLN 2.0 million;
- the authorization granted to the Management Board for the purchase of own shares shall cover a period lasting until 24 January 2020, however not longer than expiration of the amount allocated for the purchase of own shares.

In order to fund the purchase of own shares under the buyback program a capital reserve (within the retained earnings) is established for an amount of PLN 2.0 million. The capital reserve is subsequently reduced by the amount of the consideration paid for the shares bought back, the amount capital reserve as at 31 December 2019 amounted to PLN 1,420 thousand and was presented as a part of the retained earnings.

During the year ended 31 December 2019, the Company acquired 674,900 own shares for a total price of PLN 580 thousand (on average PLN 0.857 per share).

Dividend

During the year ended 31 December 2019, a dividend in the amount of PLN 9,820 thousands which represents PLN 0.06 per ordinary share, was distributed (paid on 25 June 2019). During the year ended 31 December 2018, a dividend out of retained earnings reserve in the amount of PLN 9,841 thousands which represents PLN 0.06 per ordinary share, was distributed (paid on 4 October 2018).

The Management Board, in line with the prevailing dividend policy, will evaluate the possibility to recommend to the Ordinary General Meeting of the Company to be held in 2020 to distribute the dividend for year 2019, after the examination of the current and expected balance sheet of the Company, expected operating, financial and cash-flow position of the Company and taking into consideration: (i) the close observance of all balance-sheet linked debt covenants, (ii) ability of future repayment of debts, (iii) financial needs of the Company aiming to be ranked amongst leading residential developers and (iv) changing market environment.

Consolidated Financial Statements for the year ended 31 December 2019**Notes to the Consolidated Financial Statements****25. Non-controlling interests**

On 10 October 2018, the Group acquired 18% of the share of ownership and voting rights in Ronson Espresso Sp. z o.o. (hereinafter "Espresso") from the minority shareholders of Espresso, for a total amount of PLN 3,762 thousand. Following this transaction, Ronson Group became the sole shareholder of Espresso. The book value of the Non-controlling interests as at day of acquisition amounted to PLN 5,696 thousand. The profit from the transaction amounted to PLN 1,934 thousand and was presented directly in Retained earnings.

Movements in non-controlling interests during the year ended 31 December 2019 and during the year ended 31 December 2018 were as follows:

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Opening balance	-	4,123
Comprehensive income attributable to non-controlling interests	-	1,573
Acquisition of Non-controlling interests	-	(5,696)
Closing balance	-	-

26. Net earnings per share**Basic and diluted earnings per share**

Basic earnings per share amounts are calculated by dividing net profit/(loss) attributable to equity holders of the parent company for the year by the weighted average number of ordinary shares outstanding and in circulation during the year. Diluted earnings per share amounts are calculated by dividing the net profit/(loss) attributable to equity holders of the parent company for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive instruments into ordinary shares, no such instruments exists as at 31 December 2019 and 2018.

Weighted average number of ordinary shares (basic):

For the year ended 31 December	2019	2018
<i>(in thousands of Polish Zlotys)</i>		
Net income attributable to the equity holders of the parent company	17,414	13,498
Balance at beginning of the period	164,010,813	164,010,813
Treasury shares - Weighted average	(321,197)	-
Weighted average number of ordinary shares (basic)	163,689,616	164,010,813
Basic earnings per share	0.106	0.082

During the period ended 31 December 2019, the Company acquired 674,900 own shares (0.41%) in treasury. The weighted average number of the acquired share is 321,197 own shares.

After 31 December 2019 and until 9 March 2020, the Company acquired 59,622 own shares. As 31 December and at 9 March 2020, the Company held 674,900 and 734,522 own shares representing 0.41% and 0.45% of total shares issued by the Company, respectively.

Consolidated Financial Statements for the year ended 31 December 2019

Notes to the Consolidated Financial Statements

27. Loans and borrowings

As at 31 December		2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Bond loans	28	187,969	205,547
Secured bank loans	29	12,875	37,687
Total loans and borrowings		200,844	243,234

Information about the contractual terms of the Group's interest-bearing loans and borrowings is presented in the table below. For more information about the Group's exposure to interest rate, see Note 37.

Loans as at 31 December 2019:

<i>In thousands of Polish Zlotys (PLN)</i>	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Charges and fees	Carrying value
Bond loans series M	PLN	Wibor + 3.65%	2020	10,000	191	(7)	10,184
Bond loans series P	PLN	5.25%	2020	10,000	62	(30)	10,032
Bond loans series Q	PLN	Wibor + 3.50%	2020	15,000	337	(38)	15,299
Bond loans series R	PLN	Wibor + 2.85%	2021	50,000	235	(286)	49,949
Bond loans series S	PLN	Wibor + 3.40%	2021	20,000	34	(54)	19,980
Bond loans series T	PLN	Wibor + 3.50%	2022	50,000	391	(405)	49,986
Bond loans series U ⁽¹⁾	PLN	Wibor + 3.50%	2023	32,317	717	(495)	32,539
Subtotal (Bond loans)				187,317	1,967	(1,315)	187,969
Bank loans	PLN	Wibor + 2.54%	2021	5,802	-	(205)	5,597
Bank loans	PLN	Wibor + 2.7%	2021	7,431	10	(163)	7,278
Subtotal (Bank loans)⁽²⁾				13,233	10	(368)	12,875
Total				200,550	1,977	(1,683)	200,844

1) The series U bonds will be subject to mandatory depreciation at the end of the 4th and the 6th interest period (on 31 January 2021 and 31 January 2022, respectively) by reducing the nominal value of each Bond each time in the amount of PLN 150 for each bond.

2) According to the projected cash flow, the Group is planning to repay outstanding Bank loans during the year 2020, therefore Bank loans are presented under the Current liabilities in the Consolidated Statement of Financial Positions.

Consolidated Financial Statements for the year ended 31 December 2019

Notes to the Consolidated Financial Statements

27. Loans and borrowings (cont'd)

Loans as at 31 December 2018:

<i>In thousands of Polish Zlotys (PLN)</i>	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Charges and fees	Carrying value
Bond loans series I	PLN	Wibor + 4.00%	2019	10,000	252	-	10,252
Bond loans series J	PLN	Wibor + 3.60%	2019	15,500	167	(23)	15,644
Bond loans series K	PLN	Wibor + 3.60%	2019	4,500	9	(10)	4,499
Bond loans series M	PLN	Wibor + 3.65%	2020	10,000	191	(56)	10,135
Bond loans series N	PLN	Wibor + 3.60%	2019	10,000	159	(43)	10,116
Bond loans series O	PLN	Wibor + 3.50%	2019	10,000	122	(18)	10,104
Bond loans series P	PLN	5.25%	2020	10,000	62	(78)	9,984
Bond loans series Q	PLN	Wibor + 3.50%	2020	15,000	336	(103)	15,233
Bond loans series R	PLN	Wibor + 2.85%	2021	50,000	235	(454)	49,781
Bond loans series S	PLN	Wibor + 3.40%	2021	20,000	34	(78)	19,956
Bond loans series T	PLN	Wibor + 3.50%	2022	50,000	391	(548)	49,843
Subtotal (Bond loans)				205,000	1,958	(1,411)	205,547
Bank loans	PLN	Wibor + 2.6%	2019	7,584	-	(13)	7,571
Bank loans	PLN	Wibor + 2.7% -3.3%	2020	30,462	55	(401)	30,116
Subtotal (Bank loans)				38,046	55	(414)	37,687
Total				243,046	2,013	(1,825)	243,234

Balance sheet value of assets used to secure loans received from banks and bond loans series R and U:

As at 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Inventory and residential land bank	229,492	267,117
Investment property	10,098	8,743
Property and equipment	5,402	5,575
Balance sheet value of pledged assets	244,992	281,435
Amount of loans and borrowings	95,363	87,468

Consolidated Financial Statements for the year ended 31 December 2019**Notes to the Consolidated Financial Statements****28. Bond Loans**

The table below presents the movement in bond loans:

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Opening balance	205,547	197,308
Repayment of bond loans	(50,000)	(42,160)
Proceeds from bond loans	32,317	50,000
Issue cost paid for current period	(642)	(654)
Issue cost paid for previous period	(115)	-
Issue cost amortization	854	837
Accrued interest	10,351	10,958
Interest repayment	(10,343)	(10,742)
Total closing balance	187,969	205,547
Closing balance includes:		
Current liabilities	36,891	51,864
Non-current liabilities	151,078	153,683
Total closing balance	187,969	205,547

During the year ended 31 December 2019, the Company issued 32,317 series U bonds (total nominal value of PLN 32,317 thousand).

As at 31 December 2019 and as at 31 December 2018 all covenants on bond loans are met.

Series M

On 25 February 2016, the Company issued 10,000 series M bonds with a total nominal value of PLN 10,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series M bonds were redeemed on 25 February 2020. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.65% margin. Interest was payable semi-annually in February and August until redemption date. The terms and conditions of the issuance of the M bonds included provisions regarding early redemption at a bondholder's request to be made prior to 25 February 2020 in case of the occurrence of certain events covering a number of obligations and restrictions applicable to the Company, including the obligation to maintain its financial ratios at certain levels and restrictions on related party transactions.

The series M bonds were not secured.

Series P

On 18 August 2016, the Company issued 10,000 series P bonds with a total nominal value of PLN 10,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series P bonds shall be redeemed on 18 August 2020. The bonds carry fix interest rate of 5.25%. Interest is payable quarterly in February, May, August and November until redemption date.

The terms and conditions of the issuance of the P bonds include provisions regarding early redemption at a bondholder's request to be made prior to 18 August 2020 in case of the occurrence of certain events covering a number of obligations and restrictions applicable to the Company, including the obligation to maintain its financial ratios at certain levels and restrictions on related party transactions.

The series P bonds are not secured.

Notes to the Consolidated Financial Statements

28. Bond loans (cont'd)

Series Q

On 29 July 2016, the Company issued 15,000 series Q bonds with a total nominal value of PLN 15,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series Q bonds shall be redeemed on 29 July 2020. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.50% margin. Interest is payable semi-annually in July and January until redemption date.

The terms and conditions of the issuance of the Q bonds include provisions regarding early redemption at a bondholder's request to be made prior to 29 July 2020 in case of the occurrence of certain events covering a number of obligations and restrictions applicable to the Company, including the obligation to maintain its financial ratios at certain levels and restrictions on related party transactions.

The series Q bonds are not secured.

Series R

On 24 May 2017, the Company issued 50,000 series R bonds with a total nominal value of PLN 50,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series R bonds shall be redeemed on 24 May 2021. The bonds bear interest at a variable rate based on the WIBOR rate for six-month deposits increased by a margin of 2.85%. Interest is payable semi-annually in May and November until redemption date.

The terms and conditions of the issuance of the R bonds include provisions regarding early redemption at a bondholder's request to be made prior to 24 May 2021 in case of the occurrence of certain events covering a number of obligations and restrictions applicable to the Company, including the obligation to maintain its financial ratios at certain levels and restrictions on related party transactions.

The series R bonds are secured with a joint mortgage established by the subsidiaries of the Company up to PLN 75,000 thousand.

Series S

On 19 June 2017, the Company issued 20,000 series S bonds with a total nominal value of PLN 20,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series S bonds shall be redeemed on 19 June 2021. The bonds bear interest at a variable rate based on the WIBOR rate for six-month deposits increased by a margin of 3.40%. Interest is payable semi-annually in June and December until redemption date.

The terms and conditions of the issuance of the S bonds include provisions regarding early redemption at a bondholder's request to be made prior to 19 June 2021 in case of the occurrence of certain events covering a number of obligations and restrictions applicable to the Company, including the obligation to maintain its financial ratios at certain levels and restrictions on related party transactions.

The series S bonds are not secured and will not be listed.

Series T

On 9 May 2018, the Company issued 50,000 series T bonds with a total nominal value of PLN 50,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series T bonds shall be redeemed on 9 May 2022. The bonds bear interest at a variable rate based on the WIBOR rate for six-month deposits increased by a margin of 3.50%. Interest is payable semi-annually in May and November until redemption date.

The terms and conditions of the issuance of the T bonds include provisions regarding early redemption at a bondholder's request to be made prior to 9 May 2022 in case of the occurrence of certain events covering a number of obligations and restrictions applicable to the Company, including the obligation to maintain its financial ratios at certain levels and restrictions on related party transactions.

The series T bonds are not secured.

Notes to the Consolidated Financial Statements

28. Bond loans (cont'd)

Series U

On 31 January 2019, the Company issued 32,317 series U bonds with a total nominal value of PLN 32,317 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series U bonds shall be redeemed on 31 January 2023. The series U bonds bear interest at a variable rate based on the WIBOR rate for six-month deposits increased by a margin of 3.5%. Interest is payable semi-annually in January and July until redemption date. In addition, the series U bonds will be subject to mandatory depreciation at the end of the 4th and the 6th interest period (on 31 January 2021 and 31 January 2022, respectively) by reducing the nominal value of each Bond each time in the amount of PLN 150 for each bond.

The terms and conditions of the issuance of the U bonds include provisions regarding early redemption at a bondholder's request to be made prior to 19 June 2021 in case of the occurrence of certain events covering a number of obligations and restrictions applicable to the Company, including the obligation to maintain its financial ratios at certain levels and restrictions on related party transactions.

The series U bonds should be secured with a joint mortgage of up to PLN 48,476 thousand, while as at 31 December 2019 joint mortgage was established to the amount of PLN 53,019 thousand.

Bond loans repaid during the year ended 31 December 2019:

In January 2019, the Company repaid all outstanding 100,000 series I bonds with total nominal value of PLN 10,000 thousand. After this repayment, the total number of outstanding bonds series I amounted to nil.

In April 2019, the Company repaid all outstanding 15,500 series J bonds with total nominal value of PLN 15,500 thousand. After this repayment, the total number of outstanding bonds series J amounted to nil.

In April 2019, the Company repaid all outstanding 10,000 series O bonds with total nominal value of PLN 10,000 thousand. After this repayment, the total number of outstanding bonds series O amounted to nil.

In June 2019, the Company repaid all outstanding 45,000 series K bonds with total nominal value of PLN 4,500 thousand. After this repayment, the total number of outstanding bonds series K amounted to nil.

In September 2019, the Company repaid all outstanding 10,000 series N bonds with total nominal value of PLN 10,000 thousand. After this repayment, the total number of outstanding bonds series N amounted to nil.

Notes to the Consolidated Financial Statements

28. Bond loans (cont'd)

Financial ratio covenants:

Series M, P and Q:

Based on the conditions of bonds M, P and Q in each reporting period the Company shall test the ratio of Net debt to Equity (hereinafter "Net Indebtedness Ratio). The Ratio shall not exceed 80% on the Check Date.

The Net Indebtedness Ratio is a non-GAAP Financial Measure and is calculated according to formulas provided below:

Net debt – shall mean the total consolidated balance sheet value of all interest-bearing liabilities (as well as payment guarantees) less the consolidated value of cash and cash equivalents and less cash paid by Company's clients blocked temporarily on the escrow accounts servicing ongoing projects that are under construction (presented in the Company's consolidated balance sheet under Other current financial assets).

Equity – shall mean the consolidated balance sheet value of the equity.

Check date – last day of each calendar quarter.

The table presenting the Net Indebtedness Ratio as at the end of the Reporting period:

As at	31 December 2019
<i>In thousands of Polish Zlotys (PLN)</i>	
Net debt	85,434
Equity	350,494
Net Indebtedness Ratio	24.4%

Series R and S:

Based on the conditions of bonds R and S in each reporting period the Company shall test the ratio of Net debt to Equity (hereinafter "Net Indebtedness Ratio). The Ratio shall not exceed 80% on the Check Date.

The Net Indebtedness Ratio is Non-GAAP Financial Measure and is calculated according to formulas provided below:

Net debt - shall mean the total consolidated balance sheet value of all interest-bearing liabilities (as well as payment guarantees) less the consolidated value of cash and cash equivalents and less cash paid by Company's clients blocked temporarily on the escrow accounts servicing ongoing projects that are under construction (presented in the Company's consolidated balance sheet under Other current financial assets; the limit is PLN 40 million).

Equity - shall mean the consolidated balance sheet value of the equity attributable to equity holders of the parent, less the value of the intangible assets (excluding any financial assets and receivables), including specifically (i) the intangible and legal assets, goodwill and (ii) the assets constituting deferred income tax decreased by the value of the provisions created on account of the deferred income tax, however, assuming that the balance of those two values is positive. If the balance of assets and provisions on account of deferred income tax is negative, the adjustment referred to in item (ii) above shall be zero.

Check date – last day of each calendar quarter.

The table presenting the Net Indebtedness Ratio as at the end of the Reporting period:

As at	31 December 2019
<i>In thousands of Polish Zlotys (PLN)</i>	
Net debt	85,434
Equity	350,494
Net Indebtedness Ratio	24.4%

Notes to the Consolidated Financial Statements

28. Bond loans (cont'd)

Financial ratio covenants (cont'd):

Series S

In addition to the above, based on the conditions of bonds S, in each reporting period the Company shall test the Net debt to Inventory Ratio (hereinafter "Net Debt to Inventory Ratio"). The Ratio shall not exceed 60% on the Check Date.

The Net Debt to Inventory Ratio is non-GAAP Financial Measure and is calculated according to formulas provided below:

Net debt - shall mean the total consolidated balance sheet value of all interest bearing liabilities (as well as payment guarantees) less the consolidated value of cash and cash paid by Company's clients blocked temporarily on the escrow accounts servicing ongoing projects that are under construction (presented in the Company's consolidated balance sheet under Other current financial assets; the limit is PLN 40 million).

Inventory - shall mean the consolidated balance sheet value of the inventory (including Residential landbank) of the Company less advances received from the customers.

Check date – last day of each calendar quarter.

The table presenting the Net Debt to Inventory Ratio as at the end of the Reporting period:

As at	31 December 2019
<i>In thousands of Polish Zlotys (PLN)</i>	
Net debt	85,434
Inventory and Residential landbank*	484,291
Net Debt to Inventory Ratio	17.6%

* See below "Impact of the implementation of IFRS 16 on financial ratios in bond covenants"

Series T and U

Based on the conditions of bonds T and U in each reporting period the Company shall test the ratio of Net debt to Equity (hereinafter "Net Indebtedness Ratio"). The Ratio shall not exceed 80% on the Check Date.

The *Net Indebtedness Ratio* is Non-GAAP Financial Measure and is calculated according to formulas provided below:

Net debt - shall mean the total consolidated balance sheet value of all interest-bearing liabilities (as well as payment guarantees) less the consolidated value of cash and cash equivalents and less cash paid by Company's clients blocked temporarily on the escrow accounts servicing ongoing projects that are under construction (presented in the Company's consolidated balance sheet under Other current financial assets).

Equity - shall mean the consolidated balance sheet value of the equity attributable to equity holders of the parent.

Check date – last day of each calendar quarter.

The table presenting the Net Indebtedness Ratio as at the end of the Reporting period:

As at	31 December 2019
<i>In thousands of Polish Zlotys (PLN)</i>	
Net debt	85,434
Equity	350,494
Net Indebtedness Ratio	24.4%

Notes to the Consolidated Financial Statements

28. Bond loans (cont'd)

Financial ratio covenants (cont'd):

Impact of the implementation of IFRS 16 on financial ratios in bond covenants:

Terms and conditions of issuance of Bonds of the Company (“T&C’s”) provide that only certain, specified types of financial indebtedness should be taken into account when determining the level of financial indebtedness for the purpose of calculating financial ratios in accordance with T&C’s. In particular, certain T&C’s require that financial indebtedness resulting from finance lease agreements (*in Polish: umowy leasingu finansowego*) should be included in calculation of the financial indebtedness. Those T&C’s do not provide that the indebtedness resulting from finance lease agreements shall also include other financial indebtedness which is recognized as lease liability in accordance with IFRS 16.

Given the above, and taking into account the type of activities carried out by the Group, despite changes in the IFRS in this respect, the Company concluded that inclusion of other type of financial indebtedness, in particular liabilities from annual fees for perpetual usufruct, for the purposes of calculations of financial ratios would not be in line with T&C’s and therefore the Company does not include such finance lease alike items in such calculations (including, in order to ensure consistency of those calculations, for the purpose of calculation of Inventory for the purpose of Net Debt to Inventory Ratio under T&C of bonds S).

For additional information about IFRS 16 see Note 2(f).

Other covenants:

Series R, S, T and U:

Based on the conditions of bonds R, S, T and U transactions with related-parties (shareholders holding more than 25% of the shares in the Company “within the meaning of IAS 24 or with related parties “including with entities controlling the Company whether jointly or individually, whether directly or indirectly or with their subsidiaries which are not members of the Group) shall not exceed the aggregate amount of PLN 1.0 million during any given calendar year.

During the year ended 31 December 2019, the consulting fees related to A. Luzon Group amounted to PLN 840 thousand. For additionally information see Note 36.

Consolidated Financial Statements for the year ended 31 December 2019**Notes to the Consolidated Financial Statements****29. Secured bank loans**

The table below presents the movement in Secured bank loans:

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Opening balance	37,687	13,920
Bank loans drawdown	71,940	85,168
Bank loans repayments	(96,754)	(61,805)
Bank charges paid	(740)	(543)
Bank charges amortization	786	893
Accrued interest/(repayment of interest) on bank loans, net	(44)	54
Total closing balance	12,875	37,687
Closing balance includes:		
Current liabilities	12,875	7,626
Non-current liabilities	-	30,061
Total closing balance	12,875	37,687

For information related to unutilized bank loan facilities see Note 35.

For information related to new bank loans drawn see Note 40.

Covenants on secured bank loans:

As at 31 December 2019 and 2018, the Company has not breached any loan covenant, which would expose the Company for risk of obligatory and immediate repayment of any loan.

For the bank loans the following collateral was given:

- Ordinary and floating mortgages on Inventory, see Note 20.
- Pledge over bank accounts which are presented in the Consolidated Statement of Financial Position as Cash and cash equivalents (Restricted cash), see Note 23.
- Assignment of receivables arising from insurance agreements and from agreements concluded with clients.
- Subordination agreement on loans from related parties.
- Blank promissory note drawn by particular subsidiary companies with a promissory note declaration up to the amount of the loan plus interest.
- Advance payments of dividends by the borrowers until full repayment of loans are not allowed.

Consolidated Financial Statements for the year ended 31 December 2019**Notes to the Consolidated Financial Statements****30. Trade and other payables and accrued expenses**

As at 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Trade payables	32,032	20,927
Payables for Nova Królikarnia project ⁽¹⁾	37,022	13,000
Accrued expenses	20,400	16,183
Guarantees for construction work	1,589	1,640
Value added tax (VAT) and other tax payables	4,122	1,325
Non-trade payables	853	862
Other trade payables - IFRS 16 ⁽²⁾	1,697	-
Advance for sales of land	-	650
Total trade and other payables and accrued expenses	97,715	54,587

(1) Payables related to Acquisition of the Nova Królikarnia project. For more information see Note 6.

(2) For additional information see Note 2.

Trade and non-trade payables are non-interest bearing and are normally settled on 30-day terms.

31. Advances received

Advances received (as defined in IFRS 15 “contract liabilities”) consist of customer advances for construction work in progress (deferred revenue) and comprise customer advances for the following projects:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2018	Revenue recognized during the year ended 31 December 2019	Advances received during the year ended 31 December 2019	As at 31 December 2019
City Link III	48,216	(30,950)	103,530	120,796
Nova Królikarnia 1a-1e	12,932	(28,162)	15,563	333
Nova Królikarnia 2a & 2b	28,408	(50,998)	24,210	1,620
Nova Królikarnia 2c	-	-	8,440	8,440
Nova Królikarnia 3b	-	-	3,236	3,236
Vitalia I & II	11,875	(29,763)	17,888	-
Vitalia III	-	-	4,878	4,878
Miasto Moje I & II	28,841	(51,979)	23,394	256
Miasto Moje III	-	-	14,271	14,271
Miasto Moje IV	-	-	639	639
Miasto Marina	10,243	(4,356)	30,611	36,498
Panoramika IV	4,034	(2,241)	18,619	20,412
Panoramika V	-	-	4,165	4,165
Grunwald2	5,387	-	26,848	32,235
Moko	1,248	(8,847)	7,693	94
Młody Grunwald	209	(3,775)	3,578	12
Chilli IV	30	(6,103)	6,073	-
Ursus Centralny Ia	-	-	6,338	6,338
Viva Jagodno I	-	-	167	167
Other	1,029	(6,290)	5,841	580
Total	152,452	(223,464)	325,982	254,970

Consolidated Financial Statements for the year ended 31 December 2019**Notes to the Consolidated Financial Statements****31. Advances received**

For information about contingent receivables from signed contracts with clients, see Note 35. The income from these contracts will be recognized as revenue at the moment units are handed over to the customers, which is expected to happen once the building process is completed and necessary administrative decisions are obtained by the Group, which usually takes from 1 up to 3 months following completion of the construction.

32. Provisions

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance at the beginning of the year	2,565	1,132
Acquisition of the Nova Królikarnia project ⁽¹⁾	-	1,600
Increase	919	-
Decrease	(1,468)	(167)
Balance at the end of the year	2,016	2,565

(1) For more information see Note 6.

As at 31 December 2019, the provision included expected necessary costs of guarantees for construction works amounting to PLN 2,016 thousand, whereas as at 31 December 2018, the provision included expected necessary costs of guarantees for construction works amounting to PLN 2,565 thousand.

33. Fair value estimation of financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Consolidated Statement of Financial Position, are as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Category</i>	<i>Note</i>	As at 31 December 2019	
			Carrying amount	Fair value
Assets:				
Trade and other receivables	<i>Assets measured at amortized costs</i>	21	3,696	3,696
Other current financial assets	<i>Assets measured at amortized costs</i>	22	22,157	22,157
Cash and cash equivalents	<i>Assets measured at amortized costs</i>	23	95,591	95,591
Loans granted to joint ventures	<i>Assets measured at amortized costs</i>	18	13,166	13,295
Liabilities:				
Bond loans	<i>Liabilities measured at amortized costs</i>	27	187,969	186,785
Secured bank loans	<i>Liabilities measured at amortized costs</i>	27	12,875	12,868
Interest bearing deferred trade payables	<i>Liabilities measured at amortized costs</i>	40	2,338	2,318
Lease liabilities related to perpetual usufruct of land and investment property	<i>Liabilities measured at amortized costs</i>	2(f)	24,101	24,101
Trade and other payables and accrued expenses	<i>Liabilities measured at amortized costs</i>	30	89,454	89,454
Unrecognized profit/(loss)				1,340

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Category</i>	<i>Note</i>	As at 31 December 2018	
			Carrying amount	Fair value
Assets:				
Trade and other receivables	<i>Assets measured at amortized costs</i>	21	3,252	3,252
Other current financial assets	<i>Assets measured at amortized costs</i>	22	14,319	14,319
Cash and cash equivalents	<i>Assets measured at amortized costs</i>	23	100,828	100,828
Liabilities:				
Bond loans	<i>Liabilities measured at amortized costs</i>	27	205,547	202,722
Secured bank loans	<i>Liabilities measured at amortized costs</i>	27	37,687	37,666
Trade and other payables and accrued expenses	<i>Liabilities measured at amortized costs</i>	30	50,110	50,110
Unrecognized profit/(loss)				2,846

Notes to the Consolidated Financial Statements

33. Fair value estimation of financial assets and liabilities (cont'd)

Estimation of fair values

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- trade and other receivables, cash and cash equivalents, other current financial assets and trade and other payables and accrued expenses: the carrying amounts approximate fair value because of the short maturity of these instruments;
- loans and borrowings and loans granted to joint ventures: the fair value is estimated by discounting the future cash flows of each instrument using discount rates offered to the Group for similar instruments of comparable maturities by the Group's bankers. The own non-performance risk as at 31 December 2019 was assessed as insignificant.

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows (PLN denominated), where applicable, are based on WIBOR plus margin as at 31 December 2019 and 31 December 2018 and are as follows:

As at 31 December	2019	2018
Loans and borrowings	4.4-5.8%	4.8-5.8%
Lease liabilities related to perpetual usufruct of land and investment property	6.9%	n.a.

34. Fair value measurement hierarchy

The table below provides the fair value measurement hierarchy of the Group's assets and liabilities:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Quantitative disclosures fair value hierarchy for assets and liabilities as at 31 December 2018 and 31 December 2019:

In thousands of Polish Zlotys (PLN)	Date of valuation	Fair value measurement using:		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
Investment property	31-Dec-19	-	-	10,098
Loans granted to joint ventures	31-Dec-19	-	13,295	-
Liabilities for which fair values are disclosed:				
Bond loans	31-Dec-19	-	186,785	-
Interest bearing deferred trade payables	31-Dec-19	-	2,318	-
Secured bank loans	31-Dec-19	-	12,868	-
In thousands of Polish Zlotys (PLN)	Date of valuation	Fair value measurement using:		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
Investment property	31-Dec-18	-	-	8,743
Liabilities for which fair values are disclosed:				
Loans granted to joint ventures	31-Dec-18	-	-	-
Bond loans	31-Dec-18	-	202,722	-
Secured bank loans	31-Dec-18	-	37,666	-

During 2019, there have been no transfers between Level 1 and Level 2.

Consolidated Financial Statements for the year ended 31 December 2019**Notes to the Consolidated Financial Statements****35. Commitments and contingencies****Investment commitments:**

The amounts in the table below present uncharged investment commitments of the Group in respect of construction services to be rendered by the general contractors:

As at 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Ursus Centralny Ia	25,589	-
Viva Jagodno I	26,590	-
Panoramika V	8,472	-
Vitalia III	20,598	-
Miasto Moje III	22,477	-
Nowe Warzymice I	12,157	-
Miasto Moje IV	37,243	-
Nova Królikarnia 3a	15,639	-
Nova Królikarnia 3b	6,887	-
Nova Królikarnia 3c	11,419	-
Nova Królikarnia 2c	7,048	19,835
Grunwald2	12,379	46,835
Panoramika IV	-	13,016
City Link III	-	42,718
Miasto Marina	-	4,076
Vitalia II	-	4,150
Nova Królikarnia 2b	-	4,106
Miasto Moje II	-	993
Nova Królikarnia 2a	-	3,109
Total	206,498	138,838

Unutilized construction loans:

The table below presents the list of the construction loan facilities, which the Group arranged for in conjunction with entering into loan agreements with the banks in order to secure financing of the construction and other outstanding costs of the ongoing projects. The amounts presented in the table below include the unutilized part of the construction loans available to the Group:

As at 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Grunwald2	24,119	-
Panoramika V	19,070	-
Panoramika IV	-	21,950
City Link III	-	78,331
Miasto Marina	-	16,278
Vitalia II	-	12,641
Miasto Moje II	-	4,666
Total	43,189	133,866

Consolidated Financial Statements for the year ended 31 December 2019**Notes to the Consolidated Financial Statements****35. Commitments and contingencies (cont'd)****Contingent receivables - contracted sales not yet recognized:**

The table below presents amounts to be received from the customers having bought apartments from the Group and which are based on the value of the sale and purchase agreements signed with the clients until 31 December 2019 after deduction of payments received at reporting date (such payments being presented in the Consolidated Statement of Financial Position as Advances received):

As at 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Moko	32	5,309
Młody Grunwald	23	622
Panoramika IV	2,065	9,066
Panoramika V	9,276	-
Vitalia I & II	64	11,210
Vitalia III	11,961	-
Grunwald2	30,751	15,146
Chilli IV	-	569
Miasto Moje I & II	117	12,350
Miasto Moje III	23,488	-
Miasto Moje IV	8,565	-
Ursus Centralny Ia	31,583	-
Miasto Marina	1,068	13,397
City Link III	22,257	83,378
Nova Królikarnia 1a - 1e	2,998	5,216
Nova Królikarnia 2a & 2b	5,033	15,600
Nova Królikarnia 2c	4,181	-
Nova Królikarnia 3b	11,001	-
Viva Jagodno I	1,530	-
Other (old) projects	2,233	2,390
Total	168,226	174,253

Contingent liabilities on purchase of plots*Nova Królikarnia transaction*

The Company and GCH have concluded call option agreements for a total value of PLN 78.9 million, under which the Company has been granted three call options with respect to the shares in the eight other project companies holding the remaining stages of the Nova Królikarnia project. The last option shall be executed the latest till April 2020. The exercise of the three call options will allow the Company to develop 161 units with an aggregate floor space of approximately 21,500 m².

On 5 April 2019, the Company exercised the first call option under the Call Option Agreements for the total price of PLN 33.9 million as a result of which the Company (via its subsidiary) acquired shares in companies holding four substages of Nova Królikarnia project comprising 84 units with an aggregate floor space of around 9,200 m². Moreover the Company signed the annex changing the schedule of payment of the first call option in which the price is determined to be paid in three installments: PLN 7.0 million was paid in April 2019, PLN 16.9 million was paid in October 2019 and PLN 10.0 million is to be paid in October 2020.

On 7 October 2019, the Company exercised the second call option under the Call Option Agreements for the total price of PLN 35.1 million as a result of which the Company (via its subsidiary) acquired shares in companies holding three substages of Nova Królikarnia project comprising 44 units with an aggregate floor space of around 9,000 m². Moreover the Company signed the annexes changing the schedule of payment of second call option in which the price is determined to be paid in three installments: PLN 8.1 million was paid in October 2019, PLN 5.0 million was paid in February 2020 and PLN 22.0 million is to be paid in April 2020.

Notes to the Consolidated Financial Statements

35. Commitments and contingencies (cont'd)

Contingent liabilities on purchase of plots

Nova Królikarnia transaction

Certain fees in the maximum amount of PLN 11.9 million will be due by the Company if the Company does not exercise all three call options within certain deadlines. However, the fees shall be reduced proportionally to the extent options have been exercised. As the result of the first two call options having been exercised, the amount of the fee contingency decreased to PLN 1.5 million.

Guarantees granted by the Company

The Company granted 121 surieties amounting in total to PLN 5.8 million to clients that purchased apartments in Verdis project, a project completed by the Company in October 2015. Surieties relate to the claim raised by natural persons regarding the adverse possession of the real property adjacent to the Verdis project and a part of the Verdis project. On 27 May 2019, the above claim was rejected by a court of second instance regarding the land on which the Verdis project is located, and as the obligations resulting from the above mentioned guarantees were fulfilled, the guarantees expired.

36. Related parties

Parent company

The Company enters into various transactions with its subsidiaries and with its directors and executive officers. For a list of subsidiaries reference is made to Note 1(b).

As at 31 December 2019, 66.06% of the outstanding shares are controlled by A. Luzon Group and 0.41% of the shares are held by the Company. The remaining 33.53% of the outstanding shares are held by other investors including Nationale Nederlanden Otwarty Fundusz Emerytalny and Metlife Otwarty Fundusz Emerytalny.

The main related parties' transactions arise on:

- agreement with the major shareholder for remuneration of Management Board and Supervisory Board member;
- transactions with key management personnel;
- loans granted to related parties;
- other.

Outstanding balances with related parties as at 31 December 2019 and as at 31 December 2018 are unsecured, interest free and settlement occurs in cash. The Group did not record any impairment of receivables relating to amounts owed by related parties in either year. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. All transactions with related parties were performed based on market conditions.

Agreement with the major shareholder for remuneration of Board member

During the year ended 31 December 2017, the subsidiary of the Company entered into a consulting agreement with its major (indirect) shareholder, A. Luzon Group for total monthly amount of PLN 70 thousand and covering travels and out of pocket expenses incurred in connection with rendering services.

Consolidated Financial Statements for the year ended 31 December 2019

Notes to the Consolidated Financial Statements

36. Related parties (cont'd)

Transactions with key management personnel

During the year ended 31 December 2019 and the year ended 31 December 2018, key management personnel of the Company included the following members of the Management Board:

Nir Netzer (until 30 November 2019)	- President, Chief Executive Officer
Boaz Haim (from 1 December 2019)	- President, Chief Executive Officer
Rami Geris (until 31 January 2020)	- Member, Chief Financial Officer
Andrzej Gutowski	- Member, Sales & Marketing Director
Alon Haver	- Member of the Management Board

Key Management Board personnel compensation

Apart from the compensation listed below, there were no further benefits granted/paid to key management personnel. Key management personnel compensation can be presented as follows:

As at 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Salary and other short term benefits	1,000	981
Termination fee	155	-
Other ⁽¹⁾	272	303
Subtotal - Mr Nir Netzer	1,427	1,284
Salary and other short term benefits	512	496
Bonuses	75	98
Termination fee	104	-
Other ⁽¹⁾	35	50
Subtotal - Mr Rami Geris	726	644
Salary and other short term benefits	420	367
Incentive plan linked to financial results	331	330
Other ⁽¹⁾	35	39
Subtotal - Mr Andrzej Gutowski	786	736
Salary and other short term benefits	117	-
Management bonus	57	-
Signing bonus	237	-
Other ⁽¹⁾	501	-
Subtotal - Mr Boaz Haim	912	-
Total	3,851	2,664

(1) Mainly related to car expenses, flights and accommodation and an American school.

Notes to the Consolidated Financial Statements

36. Related parties (cont'd)

Key Management Board personnel compensation (cont'd)

Mr Alon Haver did not receive any direct remuneration from the Company nor from any of the Company's subsidiaries.

Loans to directors

As at 31 December 2019 and 31 December 2018, there were no loans granted to directors.

Other transactions with directors and management personnel

During the year ended 31 December 2019, the Group sold one commercial unit including two parking places to Mr Andrzej Gutowski for a total net amount (excluding VAT) of PLN 696 thousand. This transaction was executed at arm's length and was in adherence to the Group's policy in respect of related-party transactions. During the year ended 31 December 2018, the Group sold one residential unit including one storage to Mr Andrzej Gutowski for a total net amount (excluding VAT) of PLN 723 thousand. This transaction was executed at arm's length and was in adherence to the Group's policy in respect of related-party transactions.

Supervisory Board remuneration

The supervisory directors are entitled to an annual fee of EUR 8,900 plus an amount of EUR 1,500 per board meeting (EUR 750 if attendance is by telephone). The total amount due in respect of Supervisory Board fees during 2019 and 2018 amounted to PLN 357 thousand (EUR 83 thousand) and PLN 341 thousand (EUR 50 thousand), respectively.

Mr Amos Luzon did not receive any direct remuneration from the Company nor from any of the Company's subsidiaries.

Loans granted to related parties

All loans granted to the joint venture (Coralchief Sp. z o.o. – Projekt 1 Sp.k.). For additional information see Note 18.

Other

As a result of requirements pertaining to A. Luzon Group, one of the Company's larger (indirect) shareholders, whose shares are listed on the Tel Aviv stock exchange, the first quarter reports, semi-annual reports and third quarter reports are subject to a full scope review by the Company's auditors. For the Company itself that listed on the Warsaw Stock Exchange, only the semi-annual report is subject to a review by the auditor. The Company has agreed with A. Luzon Group that the costs for the first and third quarter auditors' reviews will be shared between the Company and its shareholder.

Notes to the Consolidated Financial Statements

37. Financial risk management, objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Management Board reviews and agrees policies for managing each of these risks and they are summarized below. The Group also monitors the market price risk arising from all financial instruments.

The Group does not use derivative financial instruments to hedge currency or interest rate risks arising from the Group's operations and its sources of finance. It is, and has been throughout the year ended 31 December 2019 and 2018, the Group's policy that no trading in (derivative) financial instruments shall be undertaken.

The Group's principal financial instruments comprise cash balances, bank loans, bonds, trade receivables and trade payables. The main purpose of these financial instruments is to manage the Group's liquidity and to raise finance for the Group's operations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially expose the Group to concentrations of credit risk consist principally of cash and cash equivalents and receivables.

The Group is making significant cash payments as security for preliminary land purchase agreements. The Group minimizes its credit risk arising from such payments by registering advance repayment obligations in the mortgage register of the respective property. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group does not expect any counter parties to fail in meeting their obligations. The carrying amounts of the financial assets represent the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was as follows:

<i>In thousands of Polish Zloty (PLN)</i>	As at 31 December 2019	As at 31 December 2018
Trade and other receivables	10,631	8,052
Loans granted to joint ventures	13,166	-
Cash and cash equivalents	95,591	100,828
Other current financial assets	22,157	14,319
Total	141,545	123,199

The Group places its cash and cash equivalents in financial institutions with high credit ratings. Management does not expect any counterparty to fail to meet its obligations. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Group's customer base. The credit quality of cash at banks and short-term bank deposits can be assessed by reference to external credit ratings:

Rating

<i>In thousands of Polish Zloty (PLN)</i>	As at 31 December 2019	As at 31 December 2018
AAA	1	4
A	51,011	26,848
BBB	5,599	14,504
BB+	38,980	59,472
Total cash and cash equivalents	95,591	100,828

Notes to the Consolidated Financial Statements

37. Financial risk management, objectives and policies (cont'd)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments, such as bond loans, bank loans, cash and cash equivalents. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

(i) Foreign currency risk

The Group is exposed to foreign currency risk on receivables and payables denominated in a currency other than PLN to a limited extent only. As at 31 December 2019 and 2018, trade receivables and payables denominated in foreign currencies were insignificant.

(ii) Price risk

The Group's exposure to marketable and non-marketable securities price risk does not exist because the Group has not invested in securities as at 31 December 2019 and as at 31 December 2018.

(iii) Interest rate risk

Except for bonds series P amounting to PLN 10.0 million and Interest bearing deferred trade payables, the Group did not enter into any fixed-rate borrowings transaction. The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not exposed to interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and bond loans.

Consolidated Financial Statements for the year ended 31 December 2019

Notes to the Consolidated Financial Statements

37. Financial risk management, objectives and policies (cont'd)

Interest rate risk and liquidity risk analyzed

In respect of income-earning financial assets and interest-bearing financial liabilities, the following tables indicate their average effective interest rates at the reporting date and the periods in which they mature or, if earlier, re-price.

As at 31 December 2019								
<i>In thousands of Polish Zlotys (PLN)</i>	Note	Average effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Fixed rate instruments								
Cash and cash equivalents	23	0.0%	13,669	13,669	-	-	-	-
Bond loans	28	5.25%	(10,032)	(62)	(9,970)	-	-	-
Interest bearing deferred trade payables	40	4.90%	(2,338)	-	(2,338)	-	-	-
Variable rate instruments								
Cash and cash equivalents	23	0.35%-1.20%	81,922	81,922	-	-	-	-
Secured bank loans	28	Wibor + 2.54% - 2.7%	(12,875)	(5,607)	(7,268)	-	-	-
Floating rate bonds	28	Wibor 6M + 2.85%-4.0%	(177,937)	(11,897)	(14,962)	(74,434)	(76,644)	-
Loans granted to joint ventures	18	Wibor 6M + 4.0%	13,166	-	1,977	-	11,189	-

As at 31 December 2018								
<i>In thousands of Polish Zlotys (PLN)</i>	Note	Average effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Fixed rate instruments								
Cash and cash equivalents	23	0.0%-0.1%	43,407	43,407	-	-	-	-
Bond loans	28	5.25%	(9,984)	(62)	-	(9,922)	-	-
Variable rate instruments								
Cash and cash equivalents	23	0.35%-1.20%	57,421	57,421	-	-	-	-
Secured bank loans	28	WIBOR + 2.6% - 3.3%	(37,687)	(7,608)	-	(30,079)	-	-
Floating rate bonds	28	Wibor 6M + 2.85%-4.0%	(195,563)	(41,845)	(9,957)	(24,841)	(118,920)	-

Consolidated Financial Statements for the year ended 31 December 2019

Notes to the Consolidated Financial Statements

37. Financial risk management, objectives and policies (cont'd)

Interest rate risk and liquidity risk analyzed (cont'd)

It is estimated that a general increase of one percentage point in interest rates at the reporting date would increase/(decrease) the net assets and the statement of comprehensive income by the amounts listed in the table below. The analysis prepared for 12-month periods assumes that all other variables remain unchanged.

<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2019		As at 31 December 2018	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Statement of comprehensive income				
Variable interest rate assets	273	(273)	191	(191)
Variable interest rate liabilities *	(636)	636	(778)	778
Total	(363)	363	(587)	587
Net assets				
Variable interest rate assets	273	(273)	191	(191)
Variable interest rate liabilities *	(636)	636	(778)	778
Total	(363)	363	(587)	587

* The financial costs which are related to loans and borrowing are capitalized by the Group to work-in-progress. Such costs are gradually recognized in the statement of comprehensive income based on the proportion of residential units sold. It has been assumed in the above analysis that one third of the financial costs calculated and capitalized in a given period is disclosed in the statement of comprehensive income based on the proportion of residential units sold of a given period and the remaining part of the costs remains in the inventories and will be disclosed in the statement of comprehensive income in the following accounting periods.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2019			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Lease liabilities related to perpetual usufruct of land and investment property	1,001	875	2,300	19,925
Bond loans	45,575	80,366	79,724	-
Secured bank loans	13,609	-	-	-
Interest bearing deferred trade payables	2,452	-	-	-
Trade and other payables	96,018	-	-	-
Total	158,655	81,241	82,024	19,925
<i>In thousands of Polish Zlotys (PLN)</i>	As at 31 December 2018			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bond loans	60,926	42,007	124,979	-
Secured bank loans	9,090	31,774	-	-
Trade and other payables	53,262	-	-	-
Total	123,278	73,781	124,979	-

Notes to the Consolidated Financial Statements

37. Financial risk management, objectives and policies (cont'd)

Real-estate risk

While the improving market in 2018 and 2019 potentially bodes well for the Company in 2020, the overall economic situation and geopolitical situation in Europe and in Poland and the ongoing uncertainties in the housing market make it very difficult to predict with precision results for 2020. The level of development of the Polish economy, the performance of the banking industry and consumers' interest in new housing projects, increase in construction cost, the challenge of securing lands for considerable prices and the significant impact of it on the margins of new phases and projects, as well as increasing competition in the market are considered to be the most significant uncertainties for the financial year ending 31 December 2020.

Construction cost risk

Construction costs increased significantly over the last 2 years and might continue to increase also during 2020. The increase is mainly related to the growth in costs of hiring qualified workforce, as well as to an increase in costs of building materials. The Company and the Group do not operate a construction business, but, instead, for each project an agreement is concluded with a third party general contractor, who is responsible for running the construction and for finalizing the project including obtaining all permits necessary for safe use of the apartments. In order to mitigate the risk of the increase in construction costs, the Company and the Group are signing a lump-sum contract with the general contractor, which will allow the Group to complete the project based on the estimated budget.

Risk of non-performance by General Contractors

In each project or stage of the project, the Group has concluded and will conclude contracts for the construction and implementation of development projects with one general contractor. There is a risk that non-performance of the agreement by the general contractor may cause delays in the project or significantly impact the business, financial condition or results of the Company and the Group. The Company sees a potential risk for non-performance of obligations by the general contractor in the availability of qualified workforce, in the increase of salaries and cost of construction materials. Non-performance may result in claims against general contractor with the risk that general contractor may also fail to fully satisfy possible claims of the Company and the Group. The company and the Group implement selection criteria when hiring a general contractor, which include, experience, professionalism, financial strength of the general contractor (with the obligation to provide bank or insurance guarantee) as well as the quality of the insurance policy covering all risks associated with the construction process.

Changes in legislation

Potential future changes in the legislation (contemplated deletion of open escrow accounts as well as the possible introduction of compulsory contributions to the developer guarantee fund) also constitute a risk that could directly or indirectly affect the Company's and the Group's activities and results. The Management Board assesses, however, that the possible introduction of such changes might have a negative impact on the Group's activities to a lesser extent than on other market operators, primarily due to the Company's and the Group's comfortable financial situation and also because of the trust and good reputation, which the Company and the Group enjoy among financial institutions.

Availability of mortgages

The demand for residential real estate largely depends on the availability of credits and loans for financing the purchase of apartments and houses by individuals. Possible increase in interest rates, deterioration of the economic situation in Poland or administrative restrictions on lending activities of the banks may cause a drop in demand for apartments and houses, and therefore a decrease in interest from potential buyers in the Group's development projects, which in turn may have a significant adverse impact on activities, financial standing or performance of the Company and the Group. In 2019, access to mortgages was relatively high and interest rates on a mortgage were stable, at levels around their historic minimum. Growth in salaries and low inflation had a positive impact on the disposable income of households, thus increasing creditworthiness.

Notes to the Consolidated Financial Statements

37. Financial risk management, objectives and policies (cont'd)

Real-estate risk (cont'd)

Administration

The nature of real estate development projects requires a number of licenses, approvals and arrangements to be obtained by the Company and the Group at every stage of the development process. Despite significant caution applied in the project execution schedules, there is always a risk of delay in their obtainment. In addition there is always the risk of protests made against permits decisions which have already been issued (also due to appeals with no consequences for the appellants) or in the worse scenario failing to obtain the relevant permits. Additional risk might rise with respect to properties under perpetual usufruct. All the above factors may affect the ability of the Group to conduct and complete its executed and planned projects.

38. Capital management

When managing capital, it is the Group's objective to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the profit appropriation, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio and leverage. The Group's policy is to keep the gearing ratio of the Group lower than 60%, and a leverage of the Group lower than 50%.

Banking covenants vary according to each loan agreement, but typically are not related directly to the gearing ratio of the Company but to the proportion of loan to value of the mortgage collateral which usually is required not to cross the limit of 70% or 80%. Moreover the Company is obliged to monitor its indebtedness according to the conditions of the bond issuance, which require, amongst others, that in each reporting period the Company shall test the ratio between Net debt to Equity. The Ratio shall not exceed 80% (for additional information see Note 29).

The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated Statement of Financial Position) less cash and cash equivalents and less Other current financial assets. Leverage is calculated as net debt divided by total capital employed. Total capital employed is calculated as 'equity' as shown in the Consolidated Statement of Financial Position plus net debt financing assets in operation.

The gearing ratios and leverage at 31 December 2019 and 31 December 2018 were as follows:

As at 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Loan and borrowings, including interest bearing deferred trade payables	203,182	243,234
Less: cash and cash equivalents	(95,591)	(100,828)
Less: other current financial assets	(22,157)	(14,319)
Net debt	85,434	128,087
Total equity	350,494	343,480
Total capital employed	435,928	471,567
Gearing ratio	24.4%	37.3%
Leverage	19.6%	27.2%

Consolidated Financial Statements for the year ended 31 December 2019**Notes to the Consolidated Financial Statements****38. Capital management (cont'd)**

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements. There were no changes in the Groups approach to capital management during the year.

During the period the Group did not breach any of its loan and borrowings covenants, nor did it default on any other of its obligations under its loan agreements.

39. Cash flow reconciliation**Inventory and Residential land bank**

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance sheet change in inventory	(112,922)	(84,829)
Finance expense, net capitalized into inventory	9,059	8,751
Impact of IFRS 16	25,665	-
Transferred to Land for sale	-	(6,305)
Transferred to Residential landbank	-	(46,227)
Transferred from advance for land	-	82,810
Acquisition of the Nova Królikarnia project	70,108	136,336
Reversal of Write-down/(Write-down) of Inventory and Residential landbank	594	(2,937)
Change in Inventory and Residential landbank in the consolidated statement of cash flows	(7,496)	87,599

Trade and other receivables and prepayments

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance sheet change in trade and other receivables and prepayments	(10,052)	(2,989)
Impact of IFRS 16	1,753	-
Acquisition of the Nova Królikarnia project	152	2,130
Change in Trade and other receivables and prepayments in the consolidated statement of cash flows	(8,147)	(859)

Trade and other accounts payable

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance sheet change in Trade and other accounts payable	45,466	16,941
Impact of IFRS 16	(1,697)	-
Other	(12)	-
Acquisition of the Nova Królikarnia project	(24,191)	(22,231)
Change in Trade and other payables and accrued expenses in the consolidated statement of cash flows	19,566	(5,290)

Notes to the Consolidated Financial Statements

40. Events during the financial year

Bonds loans

On 31 January 2019, the Company issued 32,317 series U bonds with a total nominal value of PLN 32,317 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series U bonds shall be redeemed on 31 January 2023. In addition, the series U bonds will be subject to mandatory depreciation at the end of the 4th and the 6th interest period (on 31 January 2021 and 31 January 2022, respectively) by reducing the nominal value of each bond each time in the amount of PLN 150 for each bond. The series U bonds bear interest at a variable rate based on the WIBOR rate for six-month deposits increased by a margin of 3.5%. The series U bonds should be secured with a joint mortgage of up to PLN 48,476 thousand, while as at 31 December 2019 joint mortgage was established to the amount of PLN 53,019 thousand.

In January 2019, the Company repaid all outstanding 100,000 series I bonds with total nominal value of PLN 10,000 thousand. After this repayment, the total number of outstanding bonds series I amounted to nil.

In April 2019, the Company repaid all outstanding 15,500 series J bonds with total nominal value of PLN 15,500 thousand. After this repayment, the total number of outstanding bonds series J amounted to nil.

In April 2019, the Company repaid all outstanding 10,000 series O bonds with total nominal value of PLN 10,000 thousand. After this repayment, the total number of outstanding bonds series O amounted to nil.

In June 2019, the Company repaid all outstanding 45,000 series K bonds with total nominal value of PLN 4,500 thousand. After this repayment, the total number of outstanding bonds series K amounted to nil.

In September 2019, the Company repaid all outstanding 10,000 series N bonds with total nominal value of PLN 10,000 thousand. After this repayment, the total number of outstanding bonds series N amounted to nil.

Notes to the Consolidated Financial Statements

40. Events during the financial year (cont'd)

Bank loans

In February 2019, the Company executed a loan agreement with Santander Bank Polska S.A. related to the Grunwald² project in Poznań. Under this loan agreement Santander Bank Polska S.A. is to provide financing and re-financing to cover the costs of construction up to a total amount of PLN 57.7 million. Under the loan agreement, the final repayment date is November 2021.

In September 2019, the Company executed a loan agreement with PKO Bank Polski S.A. relating to the fifth stage of the Panoramika project in Szczecin. Under this loan agreement PKO Bank Polski S.A. is to provide financing to cover the costs of construction up to a total amount of PLN 26.5 million. Under the loan agreement, the final repayment date of the loan facility is December 2021.

Interest bearing deferred trade payables

As part of the construction agreement for the development of Ursus Centralny Ia project signed in June 2019, the Company agreed with the General Contractor that part of the due payments from each invoice will be delayed, up to the total amount of PLN 12 million, and will be repaid in 2 equal installments: the first in 15 months from the due payment day of the first invoice and the second installment is one month after the first installment. The delayed payment will bear fixed interest rate of 4.9%. The Company assumption is to repay entire loan till the end of December 2020. The Interest bearing deferred trade payables as at 31 December 2019 amounted to PLN 2,338 thousands.

Commencements of new projects

In March 2019, the Company commenced the construction work of the third stage of the Miasto Moje project comprising 196 apartments with an aggregate floor space of 10,200 m².

In March 2019, the Company commenced the construction work of the Wilanów Tulip project comprising 150 apartments with an aggregate floor space of 9,600 m², via joint venture entity in which the Company holds a 50% interest.

In March 2019, the Company commenced the construction work of the fifth stage of the Panoramika project comprising 115 apartments with an aggregate floor space of 6,000 m².

In May 2019, the Company commenced the construction work of the third (and the last) stage of the Vitalia project comprising 81 apartments with an aggregate floor space of 6,800 m².

In June 2019, the Company commenced the construction work of the first stage of Ursus Centralny project comprising 138 units with an aggregate floor space of 7,600 m².

In July 2019, the Company commenced the construction work of the Nova Królikarnia 3b project comprising 23 apartments with an aggregate floor space of 2,300 m².

In September 2019, the Company commenced the construction work of the first stage of Viva Jagodno project comprising 121 apartments with an aggregate floor space of 6,200 m².

In November 2019, the Company commenced the construction work of the first stage of the Nowe Warzymice project in Szczecin comprising 54 units with an aggregate floor space of 3,200 m².

In November 2019, the Company commenced the sale of the fourth stage of the Miasto Moje project comprising 176 units with an aggregate floor space of 8,900 m². The construction works on the projects commenced in January 2020.

In November 2019, the Company commenced the construction work of the Nova Królikarnia 3a project comprising 31 units with an aggregate floor space of 3,200 m².

In December 2019, the Company commenced the construction work of the Nova Królikarnia 3c project comprising 23 units with an aggregate floor space of 2,300 m².

Notes to the Consolidated Financial Statements

40. Events during the financial year (cont'd)

Completions of projects

In February 2019, the Company completed the construction of the second stage of the Miasto Moje project comprising 145 apartments and 3 commercial units with an aggregate floor space of 8,100 m².

In March 2019, the Company completed the construction of the second stage of the City Link project comprising 184 apartments and 5 commercial units with an aggregate floor space of 8,800 m², via a joint venture entity in which the Company holds a 50% interest.

In March 2019, the Company completed the construction of the Nova Królikarnia 2a project comprising 45 units with an aggregate floor space of 3,200 m².

In May 2019, the Company completed the construction of the Vitalia II project comprising 83 units with a total area of 4,800 m².

In May 2019, the Company completed the construction of the Nova Królikarnia 2b project comprising 28 units with an aggregate floor space of 2,300 m².

In June 2019, the Company completed the construction of the Miasto Marina project comprising 151 units with an aggregate floor space of 6,200 m². The Company received a permission for the use of the buildings, while the final permit for use of the units, due to the purpose of the project, will be received after carry out minor fit-out works appropriate to the apart-hotel functionality.

In November 2019, the Company completed the construction of the City Link III project comprising 368 units with an aggregate floor space of 18,700 m².

In December 2019, the Company completed the construction of the Panoramika IV project comprising 111 units with an aggregate floor space of 5,800 m².

Sale of land

In February 2019, a subsidiary of the Company signed a final sale agreement for selling the property located in Wrocław, at Buforowa Street. The selling price was set at PLN 6.5 million increased by VAT. An advance of PLN 650 thousand was received before the end of December 2018, whereas the remaining portion of the price was received in February 2019 when the final sale agreement was signed.

Share buyback program

On 24 January 2019, the Extraordinary General Meeting of the Company adopted the resolution regarding the adoption of the own share purchase plan and the creation of a reserve fund for the purposes of such plan. Based on that resolution, the Extraordinary General Meeting of the Company granted its consent to and authorized the Company's Management Board to purchase fully-paid ordinary bearer shares of the Company with the total nominal value not greater than 1.53% of the Company's share capital, i.e. not greater than 2,500 thousand shares, on the conditions indicated in this resolution. The total number of own shares held by the Company as at 31 December 2019 was equal to 674,900 shares, which constitute 0.41% of the share capital of the Company and votes at the General Meeting.

Wilanów Tulip

In March 2019, the Company, via a joint venture entity in which the Company holds a 50% interest, signed a final agreement for purchasing the right of perpetual usufruct of property located in Warsaw, Wilanów district, at Syta Street. The purchase price of this project has been set at PLN 15 million and will be increased by the applicable VAT (the Group share being PLN 7.5 million). The JV Company purchased the project together with the valid building permit and part of the construction works already commenced prior to the acquisition. The project comprises 150 units with an aggregate floor space of 9,600 m².

Notes to the Consolidated Financial Statements

40. Events during the financial year (cont'd)

Changes in the Management Board

In March 2019, the Supervisory Board decided to terminate the current joint five-year term of office of the Management Board as of 31 March 2019. At the same time, the Supervisory Board appointed the current members of the management board (Nir Netzer, Rami Geris, Andrzej Gutowski and Alon Haver) for a subsequent joint term of office of five years, commencing on 1 April 2019. The members of the Management Board referred to above were appointed to the positions they have held to date.

In March 2019, the Supervisory Board of the Company appointed Boaz Haim to the position of member of the Management Board of the Company as of 1 April 2019 for a five-year joint term of office of the management board.

On 2 September 2019, Nir Netzer, President of the Management Board, submitted his resignation as President and member of the Management Board effective as of 30 November 2019.

On 28 October 2019, the Supervisory Board of the Company, appointed Boaz Haim to the position of President of the Management Board of the Company as of 1 December 2019. Mr. Boaz Haim was previously appointed as a Member of the Management Board for a five-year joint term of office of the Management Board, which commenced on 1 April 2019.

On 20 December 2019, Mr Rami Geris submitted his resignation as Finance Vice President and as member of the Management Board of the Company with effective date as of 31 January 2020.

Changes in the Supervisory Board

On 11 June 2019, the General Meeting of Shareholders of the Company decided to terminate the current joint five-year term of office of Members of the Supervisory Board and on the same date decided to re-appoint the current Members of the Supervisory Board (Amos Luzon, Alon Kadouri, Ofer Kadouri, Przemysław Kowalczyk, Shmuel Rofe and Piotr Palenik) for a subsequent joint term of office of five years.

Dividend

On 13 May 2019, the Management Board adopted a resolution on the proposal to distribute the net profit of the Company for year 2018 in the amount of PLN 13,497 thousands in a following way:

- to allocate for the dividend payment to the shareholders of the Company the amount of PLN 0.06 (six groszy) per share, with the total amount depending on the number of own shares (where there is no right to dividend) held by the Company on the dividend record date and such total amount not exceeding, in any case, PLN 9,840 thousands,
- to allocate the remaining portion of the net profit of the Company for year 2018 to retained earnings of the Company.

On 11 June 2019, the General Meeting of the Company resolved to distribute the net profit of the Company for year 2018 in accordance with the abovementioned proposal of the Management Board. The dividend in the total amount of PLN 9,820 thousand, was paid on 25 June 2019.

Call Option Agreement

In April 2019, the Company (via its subsidiary) exercised the first call option under the Call Option Agreements as a result of which the Company acquired shares in companies holding four sub-stages of the Nova Królikarnia project, comprising 84 units with an aggregate floor space of 9,200 m².

In October 2019, the Company (via its subsidiary) exercised the second call option under the Call Option Agreements as a result of which the Company acquired shares in companies holding three sub-stages of the Nova Królikarnia project, comprising 44 units with an aggregate floor space of 9,000 m².

Notes to the Consolidated Financial Statements

41. Subsequent events

Buy-back of own shares

The authorization granted to the Management Board by Extraordinary General Meeting of Shareholders for the purchase of own shares covered the period lasting until 24 January 2020. From 31 December 2019 until 24 January 2020, the Company acquired 59,622 own shares for a total price of PLN 50.2 thousand. As at 9 March 2020, the Company held 734,522 own shares representing 0.45% of total shares issued by the Company.

Bond loans

On 25 February 2020, the Company repaid all outstanding 10,000 series M bonds with total nominal value of PLN 10,000 thousand. After this repayment, the total number of outstanding bonds series M amounted to nil.

Changes in the Management Board

On 16 January 2020, the Supervisory Board of the Company appointed Mr Yaron Shama to the position of member of the Management Board of the Company and Finance Vice President as of 1 February 2020 for a five-year joint term of office of the Management Board, which commenced on 1 April 2019.

Commencements of new projects

In January 2020, the Company commenced the presale (based on reservation agreements) of the Ursus Centralny IIa project comprising 251 apartments with an aggregate floor space of 13,500 m². As at the date of publication of this report, the Company has 100 reservation agreements signed with clients.

Boaz Haim

President of the Management Board

Yaron Shama

Vicepresident of the Management Board, CFO

Andrzej Gutowski

Vicepresident of the Management Board,
Sales and Marketing Director

Alon Haver

Member of the Management Board

Krystyna Chenash

Person responsible for the accounting records

Warsaw, 10 March 2020