DEVELIA S.A. GROUP

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
WITH THE STATUTORY AUDITOR'S REPORT

(PLN '000)

Consolidated Statement of Financial Position
As at 31 December 2019

		Note	31 December 2019	31 December 2018
Assets				
A.	**Non-current assets**		**1,234,709**	**2,046,472**
1.	Intangible assets	15	334	382
2.	Property, plant and equipment	16	5,897	5,632
3.	Non-current receivables	17	8,699	12,749
4.	Land classified as fixed assets	18	86,603	86,400
5.	Investment property	19	1,096,679	1,929,475
6.	Non-current prepayments and accrued income	24	1,089	659
7.	Deferred tax assets	13.3	35,408	11,175
B.	**Current assets**		**1,562,934**	**1,528,196**
1.	Inventory	20	1,062,028	979,083
2.	Trade and other receivables	21	123,356	52,767
3.	Income tax receivables		8,296	3,030
4.	Current financial assets	22	25,815	20,290
5.	Cash and Cash Equivalents	23	340,890	467,698
6.	Current prepayments and accrued income	24	2,549	5,328
C.	**Non-current assets classified as held for sale**	**19**	**446,282**	**-**
Total assets			**3,243,925**	**3,574,668**

		Note	31 December 2019	31 December 2018
Equity and liabilities				
A.	**Equity**		**1,492,111**	**1,497,799**
I.	**Equity attributable to shareholders of the parent**		**1,492,111**	**1,497,799**
1.	Share capital	25.1	447,558	447,558
2.	Other capital	25.2	927,171	889,861
3.	Net profit/(loss)		117,382	160,380
II.	**Minority interest**		**-**	**-**
B.	**Non-current liabilities**		**1,028,223**	**1,207,757**
1.	Non-current liabilities on account of loans and bonds	26	898,717	1,092,854
2.	Non-current lease liabilities	27	18,769	-
3.	Non-current liabilities on account of acquisition of subsidiary	28	-	-
4.	Provisions	30	5,319	22
5.	Deferred tax liability	13.3	105,418	114,881
C.	**Current liabilities**		**706,818**	**869,112**
1.	Current liabilities on account of loans and bonds	26	128,727	121,611
2.	Current lease liabilities	27	41,512	-
3.	Current liabilities on account of acquisition of subsidiary	28	-	38,996
4.	Current trade and other payables	29	127,117	142,049
5.	Income tax payables		39,319	13,022
6.	Provisions	30	8,831	3,060
7.	Accruals and deferred income	31	361,312	550,374
D.	**Liabilities arising from non-current assets classified as held for sale**		**16,773**	**-**
Total equity and liabilities			**3,243,925**	**3,574,668**

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Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2019

	Note	Year ended 31 December 2019	Year ended 31 December 2018
Operating activity			
Sales revenue	12.1	**819,264**	**796,734**
Revenue from sales of services		140,850	147,582
Revenue from sales of goods and products		678,414	649,152
Cost of sales	12.2	**(499,152)**	**(496,158)**
Pre-tax profit/(loss) on sales		**320,112**	**300,576**
Gain/(loss) on disposal of non-financial fixed assets		221	60
Profit /(loss) on investment property	12.3	(91,234)	12,510
Write-downs of Inventories		(394)	(1,327)
Selling and distribution cost	12.2	(16,419)	(17,631)
General administrative expenses	12.2	(38,308)	(34,690)
Other operating income	12.6	5,275	4,215
Other operating expenses	12.7	(6,571)	(9,366)
Operating profit/(loss)		**172,682**	**254,347**
Financial income	12.8	15,948	6,159
Financial expenses	12.9	(37,584)	(58,773)
Pre-tax profit/(loss)		**151,046**	**201,733**
Income tax (tax expense)	13	(33,664)	(41,353)
Net profit/(loss)		**117,382**	**160,380**
Other comprehensive income subject to reclassification to financial result in subsequent reporting periods			
Cash flow hedges		(2,944)	(4,330)
Income tax relating to other components of comprehensive income		715	787
Other comprehensive income (net)		**(2,229)**	**(3,543)**
Total comprehensive income		**115,153**	**156,837**

	Year ended 31 December 2019	Year ended 31 December 2018
Net profit/(loss) attributable to:	**117,382**	**160,380**
Equity holders of the parent	117,382	160,380
Minority interest	-	-
Comprehensive income attributable to:	**115,153**	**156,837**
Equity holders of the parent	115,153	156,837
Minority interest	-	-
Profit/(loss) per share attributable to equity holders of the parent (basic) (PLN)	0.26	0.36
Profit/(loss) per share attributable to equity holders of the parent (diluted) (PLN)	0.26	0.36

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Consolidated Statement of Cash Flows
For the Year Ended 31 December 2019

		Note	Year ended 31 December 2019	Year ended 31 December 2018
A.	**Cash flows from operating activities**			
I.	**Pre-tax profit/(loss)**		**151,046**	**201,733**
II.	**Total adjustments**		**(238,751)**	**113,245**
1.	Depreciation and amortisation		1,434	1,157
2.	Foreign exchange gains/(losses)		(12,282)	17,883
3.	Interest and profit sharing (dividends)		46,241	44,370
4.	Profit (loss) on investing activities		(189)	-
5.	Profit(loss) on investment property		60,050	(16,074)
6.	Change in provisions		11,068	1,261
7.	Change in inventories		(83,148)	(1,670)
8.	Change in receivables		(66,539)	(21,860)
9.	Change in current liabilities except for loans and bonds	32.1	1,926	27,404
10.	Change in accruals and deferrals		(186,713)	98,320
11.	Income tax paid		(45,614)	(33,498)
12.	Other adjustments	32.2	35,015	(4,048)
III.	**Net cash flow from operating activities (I+II)**		**(87,705)**	**314,978**
B.	**Cash flows from investing activities**			
I.	**Cash inflows**		**482,892**	**-**
1.	Sale of intangible assets and property, plant and equipment		370	-
2.	Disposal of investment in property		482,522	-
II.	**Outflows**		**(176,480)**	**(151,024)**
1.	Acquisition of intangible assets and property, plant and equipment		(1,487)	(728)
2.	Investment in property		(134,593)	(109,896)
3.	Repayment of liabilities on account of acquisition of subsidiary in previous periods		(40,400)	(40,400)
III.	**Net cash flow from investing activities (I+II)**		**306,412**	**(151,024)**
C.	**Cash flows from financing activities**			
I.	**Cash inflows**		**144,904**	**258,055**
1.	Loans and borrowings	26	84,904	113,055
2.	Issue of debt securities	26	60,000	145,000
II.	**Outflows**		**(490,419)**	**(298,559)**
1.	Repayment of loans and borrowings	26	(273,276)	(95,879)
2.	Redemption of debt securities	26	(50,000)	(50,000)
3.	Payment of liabilities arising from finance lease agreements		(334)	-
4.	Interest		(45,968)	(45,266)
5.	Dividends paid to equity holders of the parent	33.2	(120,841)	(107,414)
III.	**Net cash flows from financing activities (I+II)**		**(345,515)**	**(40,504)**
D.	**Total net cash flows, (A.III+B.III+C.III)**		**(126,808)**	**123,450**
E.	**Change in cash flows in the Statement of Financial Position**		**(126,808)**	**123,450**
F.	**Cash and cash equivalents at the beginning of the period**		**467,698**	**344,248**
G.	**Cash and cash equivalents at the end of the period, including: (F+D)**		**340,890**	**467,698**
	- restricted cash		20	2,419

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Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2019

		Other capital					
	Share capital	*Supplementary capital, reserve funds and retained earnings*	*Other funds*	*Net profit/(loss)*	*Total capital attributable to shareholders of the parent*	*Minority interest*	*Total equity*
As at 01 January 2019	**447,558**	**893,164**	**(3,303)**	**160,380**	**1,497,799**	**-**	**1,497,799**
Net profit/(loss) for the period of 12 months ended 31 December 2019	-	-	-	*117,382*	*117,382*	-	*117,382*
Other comprehensive income for the period of 12 months ended 31 December 2019	-	-	*(2,229)*	-	*(2,229)*	-	*(2,229)*
Total comprehensive income for the period of 12 months ended 31 December 2019	**-**	**-**	**(2,229)**	**117,382**	**115,153**	**-**	**115,153**
Transfer of profit for the previous period to undistributed profit	-	160,380	-	(160,380)	-	-	-
Payment of dividend	-	(120,841)	-	-	(120,841)	-	(120,841)
As at 31 December 2019	**447,558**	**932,703**	**(5,532)**	**117,382**	**1,492,111**	**-**	**1,492,111**

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	Share capital	Other capital: Supplementary capital, reserve funds and retained earnings	Other capital: Other funds	Net profit/(loss)	Total capital attributable to shareholders of the parent	Minority interest	Total equity
As at 01 January 2018	**447,558**	**920,338**	**240**	**80,240**	**1,448,376**	**-**	**1,448,376**
Net profit/(loss) for 2018	-	-	-	*160,380*	*160,380*	-	*160,380*
Other comprehensive income for 2018	-	-	*(3,543)*	-	*(3,543)*	-	*(3,543)*
Total comprehensive income for 2018	**-**	**-**	**(3,543)**	**160,380**	**156,837**	**-**	**156,837**
Transfer of profit for the previous period to undistributed profit	-	80,240	-	(80,240)	-	-	-
Payment of dividend	-	(107,414)	-	-	(107,414)	-	(107,414)
As at 31 December 2018	**447,558**	**893,164**	**(3,303)**	**160,380**	**1,497,799**	**-**	**1,497,799**

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Accounting Principles (Policies) and Additional Explanatory Notes

1. General Information

The Develia S.A. Group ("the Group", "the Develia Group") consists of Develia S.A. and its subsidiary undertakings (see Note 2). The Group's consolidated financial statements cover the year ended 31 December 2019 and contain comparative information for the year ended 31 December 2018 and as at the 31 December 2018.

Develia S.A. (the "Parent Undertaking", the "Company", formerly known as LC Corp S.A.) was established by the Notarial Deed dated 3 March 2006. The Parent Undertaking's registered office is situated in Wrocław, Poland, at ul. Powstańców Śląskich 2-4. The Parent Undertaking has been entered into the register of entrepreneurs of the National Court Register maintained by the District Court for Wrocław-Fabryczna in Wrocław, the 4th Commercial Division of the National Court Register, under KRS No. 0000253077.

The Parent Undertaking has been assigned statistical identification number REGON 020246398.

The Parent Undertaking and the Group's subsidiaries were established for an indefinite period. The Group's primary activity is:

- PKD 6420Z Activities of financial holding companies
- PKD 6820Z Rental and management of own or leased real estate
- PKD 4110Z Completion of construction projects related to putting up buildings
- PKD 6810Z Buying and selling of own real estate
- PKD 4120Z Construction works related to the completion of residential and non-residential buildings

There is no parent undertaking of Develia S.A. as at the date hereof nor was there any such entity throughout the period covered by these financial statements.

2. Composition of Group

As at 31 December 2019 and 31 December 2018, the Develia S.A. Group comprised the following subsidiaries of Develia S.A.:

Company name	Registered office	Effective share of Develia S.A. 31 December 2019 Share in Capital	Effective share of Develia S.A. 31 December 2018 Share in Capital
Arkady Wrocławskie S.A.	Wrocław	100%	100%
Sky Tower S.A.	Wrocław	100%	100%
Warszawa Przyokopowa Sp. z o.o.	Wrocław	100%	100%
Kraków Zielony Złocień Sp. z o.o.	Wrocław	100% (directly and indirectly)	100% (directly and indirectly)
LC Corp Invest I Sp. z o.o.	Wrocław	100% (directly and indirectly)	100% (directly and indirectly)
LC Corp Invest II Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest III Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest VII Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest VIII Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest IX Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest X Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XI Sp. z o.o.	Wrocław	100%	100%

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LC Corp Invest XII Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XV Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XVI Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XVII Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XVIII Sp. z o.o. w likwidacji	Wrocław	-	100%
LC Corp Invest XIX Sp. z o.o. w likwidacji	Wrocław	100%	100%
LC Corp Invest XX Sp. z o.o.	Wrocław	-	100%
LC Corp Invest XXI Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XXII Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XXIII Sp. z o.o. w likwidacji	Wrocław	100%	100%
LC Corp Invest XXIV Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k.	Wrocław	-	100% (directly and indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k.	Wrocław	-	100% (directly and indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k.	Wrocław	-	100% (directly and indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 7 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 9 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 10 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 11 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 12 Sp. k.	Wrocław	-	100% (directly and indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 14 Sp. k.	Wrocław	-	100% (directly and indirectly)
LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k.	Wrocław	100% (directly and indirectly)	100% (directly and indirectly)
LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k.	Wrocław	100% (directly and indirectly)	100% (directly and indirectly)
LC Corp Invest XV Sp. z o.o. Finance S.K.A.	Wrocław	-	100% (directly and indirectly)
LC Corp Invest XV Sp. z o.o. Investments S.K.A.	Wrocław	100% (directly and indirectly)	100% (directly and indirectly)
Develia Invest Sp. z o.o.	Wrocław	100%	-
LC Corp Service S.A.	Wrocław	100% (directly and indirectly)	-

As at 31 December 2019 and as at 31 December 2018, the share in the total vote held by the Parent Undertaking in its subsidiaries was equal to the share of the Parent Undertaking in the capitals of these entities.

3. Changes in Structure of Group

Acquisition and Sale of Subsidiaries

No transaction consisting in the acquisition or sale of business units was completed by the companies belonging to the Group in the year ended 31 December 2019.

No transaction consisting in the acquisition or sale of business units was completed by the companies belonging to the Group in the year ended 31 December 2018.

New Entities and Changes within Group:

The following changes occurred in the Group in the year ended 31 December 2019:

1. LC Corp Invest XVIII Sp. z o.o. w likwidacji completed the liquidation process on 7 February 2019. The company was removed from the National Court Register on 23 May 2019.
2. On 11 March 2019, the Extraordinary General Meeting passed a resolution on increasing the share capital of LC Corp Invest XIX sp. z o.o. by PLN 10,000, i.e. up to the amount of PLN 60,000, and all the new shares were taken up by Develia S.A. The change in the company's share capital was registered by the Court on 28 March 2019.
3. On 11 March 2019, the Extraordinary General Meeting passed a resolution on increasing the share capital of LC Corp Invest XXI sp. z o.o. by PLN 5,000, i.e. up to the amount of PLN 10,000, and all the new shares were taken up by Develia S.A. The change in the company's share capital was registered by the Court on 22 March 2019.
4. On 11 March 2019, the Extraordinary General Meeting passed a resolution on increasing the share capital of LC Corp Invest XXII sp. z o.o. by PLN 10,000, i.e. up to the amount of PLN 60,000, and all the new shares were taken up by Develia S.A. The change in the company's share capital was registered by the Court on 09 April 2019.
5. On 11 March 2019, the Extraordinary General Meeting passed a resolution on increasing the share capital of LC Corp Invest XXIII sp. z o.o. by PLN 10,000, i.e. up to the amount of PLN 60,000, and all the new shares were taken up by Develia S.A. The change in the company's share capital was registered by the Court on 10 April 2019.
6. LC Corp Invest XVIII Sp. z o.o. w likwidacji completed the liquidation process on 7 February 2019. The company was removed from the National Court Register on 23 May 2019.
7. On 9 April 2019, LC Corp Service S.A., having the share capital of PLN 630,000.00, was entered into the National Court Register. The Company was set up as a result of the merger of the following companies: LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k., based in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k., based in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k., based in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 12 Sp. k., based in Wrocław, LC Corp Invest XV Sp. z o.o. Projekt 14 Sp. k., based in Wrocław, and LC Corp Invest XV Sp. z o.o. Finance Spółka komandytowo-akcyjna, based in Wrocław, pursuant to Article 492(1)(2) of the Code of Commercial Partnerships and Companies. The Company's shareholders are LC Corp Invest XV Sp. z o.o. and Develia S.A.
8. On 26 April 2019, a company called Develia sp. z o.o., having the share capital of PLN 5,000 and set up on 18 April 2019, was entered into the National Court Register. The sole shareholder of the company is Develia S.A. On 2 September, the company's name was changed to Develia Invest sp. z o.o.
9. On 13 June 2019, a resolution on initiating the liquidation of LC Corp Invest XIX Sp. z o.o. was carried.
10. On 13 June 2019, a resolution on initiating the liquidation of LC Corp Invest XXIII Sp. z o.o. was carried.
11. On 15 July 2019, the District Court for Wrocław-Fabryczna in Wrocław, the 6th Commercial Division of the National Court Register, registered a merger between Develia S.A., with the registered office in Wrocław ("the Acquiring Company"), and LC Corp Invest XX Sp. z o.o., with the registered office in Wrocław ("the Acquired Company"). On the merger, the Develia Spółka Akcyjna, with its registered office in Wrocław, assumed all the rights and obligations (liabilities) of LC Corp Invest XX Sp. z o.o., with the registered office in Wrocław.
12. On 22 October 2019, the Extraordinary General Meeting passed a resolution on increasing the share capital of Develia Invest Sp. z o.o. by PLN 1,334,000, i.e. up to the amount of PLN 1,339,000, and all the new shares were taken up by Develia S.A. The change in the company's share capital was registered by the Court on 15 November 2019.

Apart from the aforementioned events, no other significant changes in the composition of the Group took place in the period from 01 January 2019 to 31 December 2019.

4. Composition of Management Board of Parent Undertaking

As at 1 January 2019, the Management Board of Develia S.A. was composed of the following persons:

- President of the Management Board – Dariusz Niedośpiał
- Member of the Management – Mirosław Kujawski
- Member of Management Board – Tomasz Wróbel
- Member of Management Board – Radosław Stefurak

On 21 October 2019, Radosław Stefurak handed in his resignation from the Management Board, where he served as the Board Member. On 21 October 2019, the Supervisory Board of Develia S.A. appointed, as of 21 October 2019, Paweł Ruszczak to the Management Board, who assumed the position of Management Board Member responsible for financial matters.

On 28 November 2019, Dariusz Niedośpiał handed in his resignation from the Management Board, where he served as the Board Member and the Management Board President. He was replaced by the Chairman of the Supervisory Board, Michał Hulbój on 28 November 2019, who was delegated to act as President of Management Board for a fixed term from 28 November 2019 to 28 February 2020. On 26 February 2020, the Supervisory Board extended Michał Hulbój's term of delegation from 29 February to 29 May 2020.

As at 31 December 2019 and the date of the publication hereof, the Management Board of Develia S.A. was composed of the following persons:

- Acting President of Management Board – Michał Hulbój
- Member of the Management – Mirosław Kujawski
- Member of Management Board – Tomasz Wróbel
- Member of Management Board, CFO – Paweł Ruszczak

5. Approval of Consolidated Financial Statements

These consolidated financial statements were approved by the Management Board on 12 March 2020.

6. Information on Material Estimates and Professional Judgement

The Management Board of the Parent Undertaking used their best knowledge of the applied standards and interpretations, and also the methods and principles of the valuation of particular items of the enclosed consolidated financial statements. Preparing the financial statements in accordance with the International Financial Reporting Standards ("IFRS") required the Company's Management Board to make some estimates and assumptions, which are reflected herein. The actual results may vary from these estimates.

6.1. Professional Judgement

In the process of applying the accounting principles (policies) to the issues specified hereinbelow, the professional judgement of the management was, apart from the accounting estimates, of the greatest importance.

Determination of moment when, upon sale of residential and retail premises, control is transferred to Client

The moment of transferring the control to the client determines when revenues from the sales of residential and retail premises can be recognised.

Upon the sale of residential and retail premises, the control is transferred to the client when each and every of the following conditions are fulfilled:

(i) obtaining the occupancy permit for the buildings;
(ii) payment of 100% of the value of the premises, based on the developer agreement or preliminary agreement;
(iii) acceptance of the premises by the client, evidenced by the delivery and acceptance protocol;
(iv) signing of the developer agreement or notarial deed transferring the title.

In the case of the financing of part of the price by the state in accordance with the Act of 27 September 2013 on State Aid in the Purchase of the First Flat by Young People (MDM), the conditions set out in item (ii) are also met when a bank financing the client confirms the reservation of funds (the last instalment of the payment) for this purpose and when the developer agreement contains the relevant provision.

Land Classified As Fixed Assets

As at 31 December 2019, *Land Classified as Fixed Assets* concerned the land located in Malin, Wisznia Mała municipality in the Lower Silesian Voivodeship.

In view of the entry into force on 30 April 2016 of the provisions amending the Act of 11 April 2003 on the Shaping of the Agricultural System (Journal of Laws of 2012, item 803, of 2016, item 585, 1159) and the introduced restrictions on acquisition of agricultural property, an analysis was made to check the impact of the provisions of this act on the restrictions on the possibility of implementation of investment opportunities on the above-mentioned land.

This amendment introduced restrictions on the acquisition of agricultural property with an area of more than 0.3 ha and not covered by the current spatial development plan in a way that the buyer of the agricultural property may be in principle only an individual farmer - a natural person, while other entities may acquire agricultural property only with the agreement of the President of the Agricultural Property Agency and in the cases provided by regulations. The restrictions imposed by the act apply also to shares and stocks in companies which own agricultural property, where the Agricultural Property Agency which is the owner of the agricultural property has the right of pre-emption of shares and stocks in these companies.

The introduced restrictions have an impact on the shaping of demand and supply on the agricultural land market by changing the profile of market participants and new legal terms of the sale of agricultural property, which results in a smaller number of agricultural real property sold after 30 April 2016.

The Group is the owner of land with the total area of 169 ha, located in Malin, Wisznia Mała municipality in the Lower Silesian Voivodeship, and currently there is no spatial development plan for this property, therefore in accordance with Article 2(1) of the above-mentioned Act, it is "agricultural property" and is subject to the above restrictions on the possibility of trade in this property.

Due to the acquisition of land by the Group with a view to implement a development project and the designation in the Study of land use conditions and directions of Wisznia Mała municipality of this property for residential areas, the Group, as at 31 December 2019, disclosed the property in the item Land qualified as non-current assets for development projects during a period of over 2 years, in the valuation by an independent valuer drawn up before the date of entry into force of the above-mentioned Act, used also as at 31 December 2018, since despite the restrictions introduced by the Act, the Group believes that there is still a possibility to use this land in a manner consistent with its intention and the Group does not intend to dispose of this property.

Classification of Lease Agreements

The Group classifies lease according to IFRS 16. The impact of IFRS 16, "Lease", being implemented on 1 January 2019, on the Consolidated Financial Statements is described in Note 8.

6.2. Uncertainty of Estimates

The Management Board of the Parent Undertaking used their best knowledge of the applied standards and interpretations, and also the methods and principles of the valuation of particular items of the enclosed consolidated financial statements. Preparing the financial statements in accordance with IFRS required the Company's Management Board to make some assessments and assumptions, which are reflected in these statements. The actual results may vary from these estimates.

The basic assumptions concerning the future have been discussed below as well as other key reasons for doubts occurring as at the balance sheet date and entailing a significant risk of the considerable adjustment of the book value of assets and liabilities in the following financial year.

Deferred Tax Asset

The Group recognises a deferred tax asset based on the assumption that a tax profit enabling its utilisation should be obtained in the future. Worse tax results obtained in the future could have the effect that this assumption might become groundless. See Note 13.3 for detailed information about deferred tax assets.

Fair Value of Investment Property

At the end of each quarter of an accounting year, the Group independently measures the fair value of its investment properties in EUR based on the model of investment capitalisation or maintains the valuation in EUR carried out by an independent valuer at the end of the preceding year (provided there were no significant indications to revaluation). At the end of each accounting year, the fair value of investment property is established or verified by an independent valuer. As at 31 December 2019, investment property is measured on the basis of valuations of valuers. As at 31 December 2019, fair values of investment property presented as *Non-current assets classified as held for sale* (Wola Center) correspond to values arising from sales and purchase agreements of 29 January 2020, less expected costs relating to the disposal of real property. *Investment property* and *Non-current assets classified as held for sale* are presented in Note 19.

Fair Value of Financial Instruments in the Form of Forward Contracts

The fair value of financial instruments in the form of forward contracts, measured at fair value through profit or loss, is determined on the last day of each quarter in a given accounting year and at the end of each accounting year on the basis of the valuation made by an institution which professionally measures such financial transactions (among others by the Bank) or on the basis of a financial model.

Fair value of IRS and CAP financial instruments

The fair value of IRS and CAP financial instruments, covered by the cash flow hedge accounting, is determined on the last day of each quarter in a given accounting year and at the end of each accounting year on the basis of the valuation made by an institution which professionally measures such financial transactions (such as the bank).

Write-downs of Inventories

At the end of each reporting period, the Management Board verifies if there is any evidence pointing to the loss of value of its property development projects under implementation on the basis of sales reports, market research and other available evidence. Should the risk of the loss of value occur, the value of such projects is estimated employing the DCF method, which is used to establish the write-down of inventories. The DCF method is based on discounted cash flows generated within the approved investment schedules and proceeds from the sale of premises, allowing for the sale price of 1 square metre of usable floor area of flats in accordance with the current market situation. The discount rate takes account of the weighted average cost of external and own capital (WACC).

The write-downs of inventories are estimated as at 31 December 2019 and may be subject to change depending on the fluctuation of market prices of land, selling prices of flats, construction costs, project completion schedules and discount rate calculations in the future. The actual results may vary from these estimates, which were calculated on the grounds of the data available as at the reporting date. It is also related to the uncertainty regarding the proper estimation of the market conditions in the following years. Consequently, valuation allowances may change in the following financial periods. Inventories and write-down of inventories are presented in Note 20.

Uncertainty Associated with Tax Settlements

The regulations concerning the tax on goods and services, corporate tax and burdens associated with social insurance are subject to frequent changes. These frequent changes make no appropriate reference points, inconsistent interpretations and few established precedents that might be applicable. The binding regulations also contain uncertainties, resulting in different opinions regarding the legal interpretation of tax regulations, both among public authorities and between public authorities and companies.

Tax settlements and other areas of activity (for example customs and foreign currency issues) may be subject to inspection by bodies authorised to impose high penalties and fines, and any additional tax liabilities arising from the inspection must be paid together with high interest. Having considered these conditions, the tax risk in Poland is greater than in countries with a more mature tax system.

Consequently, amounts presented and disclosed in financial statements may change in the future as a result of a final decision of a tax audit authority.

On 15 July 2016, changes were made to the Tax Ordinance Act in order to take account of the provisions of the General Anti-Avoidance Rule (GAAR). GAAR is to prevent the creation and use of artificial legal structures created in order to avoid the payment of tax in Poland. GAAR defines the avoidance of taxation as an action made above all in order to achieve a tax advantage, contrary – under given circumstances – to the object and purpose of the provisions of the tax act. In accordance with GAAR, such an action does not result in the tax advantage, if the operation was

artificial. Any occurrence of (i) unjustified separation of operations, (ii) involvement of intermediary entities despite the lack of economic justification, (iii) elements that null or compensate each other and (iv) other actions having a similar effect to the previously mentioned, may be treated as a premise of artificial operations subject to GAAR. New regulations will require a much greater degree of professional judgement in assessing the tax consequences of individual transactions.
The GAAR clause should be applied to transactions made after its entry into force and transactions that had been carried out before the entry into force of the GAAR clause, but for which benefits were or are still being gained after the date of entry of this clause into force. The implementation of these provisions will enable Polish tax audit authorities to question the legal arrangements and agreements carried out by taxable persons, such as the restructuring and reorganisation of a group, provided, however, that such arrangements and agreements are related to the above clause.

The Group recognises and measures the assets or liabilities in respect of current and deferred income tax in compliance with the requirements of IAS 12, Income Tax on the basis of the tax profit (loss), tax base, unrelieved tax losses, unused tax exemptions and tax rates, taking into account the uncertainty associated with tax settlements.

The table below presents balance sheet figures of the above items as at 31 December 2019 and as at 31 December 2018.

	31 December 2019	31 December 2018
Deferred tax asset	35,408	11,175
Investment property measured at fair value	1,062,693	1,929,475
Non-current assets classified as held for sale and measured at fair value	446,282	-
Fair Value of Financial Instruments in the Form of Forward Contracts	239	102
Fair value of IRS and CAP financial instruments	(12,411)	(9,463)
Deferred tax liabilities	(105,418)	(114,881)
Write-down of land classified as fixed assets	(3,263)	(3,263)
Write-down of inventories	(124,934)	(129,838)

7. Basis for Preparation of Consolidated Financial Statements

These consolidated financial statements were prepared using the historical cost method, except for investment properties and derivative instruments, which are measured at fair value.

The consolidated financial statements are presented in thousand zlotys ("PLN"), and all values in tables and notes, if not indicated otherwise, are given in thousand zlotys ("PLN").

The consolidated financial statements were prepared on the assumption that the Group companies would continue as a going concern in the foreseeable future. As at the day of approval of these consolidated financial statements, no circumstances were identified implying any threats to the continuation of the Group companies' business activity.

7.1. Declaration of Compliance

These consolidated financial statements of the Develia S.A. Group were drawn up in accordance with the International Financial Reporting Standards ("IFRS") in the form approved by the EU.

IFRS comprise standards and interpretations accepted by the International Accounting Standard Board ("IASB") and the IFRS Interpretations Committee.

Financial statements for some subsidiaries are drawn up in accordance with the provisions of the Accounting Act of 29 September 1994 (hereinafter called as "AA"). For the purposes of drawing up the consolidated financial statements, these statements are compliant with the International Financial Reporting Standards and adjusted to the principles applied by the Group.

7.2. Functional Currency and Currency of Financial Statements

The currency of the measurement of the Parent Undertaking and other companies included in these consolidated financial statements and the currency of these consolidated financial statements is the Polish zloty.

8. Amendments to Applied Accounting Rules

The accounting principles (policies) applied to the preparation of these consolidated financial statements are consistent with those adopted to draw up the Group's consolidated financial statements for the year ended 31 December 2018, save for the following principles. The below changes to IFRS have been applied to these consolidated financial statements as of the date of their entry into force:

- **IFRS 16, "Lease"**– approved within the EU on 31 October 2017 (applicable to annual periods beginning on or after 1 January 2019);
- **Amendments to IFRS 9, "Financial Instruments"** – Prepayment Features with Negative Compensation – approved within the EU on 22 March 2018 (applicable to annual periods beginning on or after 1 January 2019);
- **Amendments to IAS 19, "Employee Benefits"** – Plan Amendment, Curtailment or Settlement – approved within the EU on 13 March 2019 (applicable to annual periods beginning on or after 1 January 2019);
- **Amendments to IAS 28, "Investments in Associates and Joint Ventures" -** Long-term Interests in Associates and Joint Ventures – approved within the EU on 8 February 2019 (applicable to annual periods beginning on or after 1 January 2019);
- **Amendments to miscellaneous standards "Amendments to IFRS (the 2015-2017 cycle)"** – amendments made as part of the IFRS Annual Improvement Process (IFRS 3, IFRS 11, IAS 12 and IAS 23) are designed mainly to deal with non-conformities and ensure the consistency of terminology – approved within the EU on 14 March 2019 (applicable to annual periods beginning on or after 1 January 2019);
- **IFRIC Interpretation 23, "Uncertainty over Income Tax Treatments"**- approved within the EU on 23 October 2018 (applicable to annual periods beginning on or after 1 January 2019).

Effects Exerted by Application of IFRS 16 "Lease"

IFRS 16 introduces significant changes in accounting for lease by a lessee and eliminates, among other things, the classification of leases used before according to IAS 17 as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way, i.e. a single lease accounting model is applied, which is in line with the finance lease approach. The new standard defines lease as any contract or a part thereof, under which the right to control the use of an asset for a given period of time against payment is granted. Where a contract fits the lease definition, a lessee recognises the right to use an asset and lease liabilities in the Statement of financial position. IFRS 16 introduces a new definition of lease. A fundamental element that differentiates the lease definition provided in IAS 17/IFRIC 4 from the lease definition put forward in IFRS 16 is a concept of control. According to IFRS 16, a contract is considered to be lease or to contain a lease component where it transfers all the rights to control the use of an identified asset for a given period of time against payment. Control is deemed to exist where the customer has:

- The right to substantially all of economic benefits arising from the use of an identified asset;
- The right to decide on how this asset is to be utilised.

The Group adopts the new lease definition in relation to all lease contracts concluded or amended on or after 1 January 2019.

The right to use an asset is initially recognised as the value of lease liabilities, plus outstanding lease payments made before the contract commencement date and a lessee's initial direct costs relating to a given contract and less incentives received and estimate of costs payable by a lessee at the end of the contract. The right to use an asset is depreciated on a straight-line basis (taking account of an estimated residual value of a given asset) and tested for impairment, which is similar to the treatment adopted for purchased property, plant and equipment. The right to use assets is also adjusted over subsequent balance-sheet days for lease liability changes referred to in the standard.

And lease liabilities are initially measured at the present value of future lease payments within the lease period, which are discounted using a rate stipulated in a lease contract (should it be not possible to determine such a rate, a marginal interest rate of a lessee is applied). Lease payments, which are stated in the measurement of lease liabilities at a date of initial lease recognition, include: fixed payments and variable fees conditional solely on an index or rates, guaranteed residual value, price of purchase option and penalties for termination of lease (where a lease contract provides for a purchase option or penalties for termination and where the exercise of the purchase option or contract termination is reasonably certain). The measurement of lease liabilities does not take account of variable lease payments other than those conditional solely on an index or a rate.

(PLN '000)

As regards consecutive reporting periods, lease liabilities are measured similarly to financial liabilities using the effective interest rate, however, discount is adjusted only in special cases provided for in IFRS 16.

The Group has decided to use a retrospective method for applying IFRS 16 with the aggregate effect of the first application of the new standard recognised as an adjustment of the opening balance of the Group's retained earnings on the date of first application, i.e. on 1 January 2019, without restating comparative data.

As at 31 December 2018, the Group did not have any identified contracts that would satisfy the conditions for being recognised as finance lease under IAS 17.

The Group distinguishes the following types of significant contracts, recognised before 31 December 2018 as operating leases:

- Vehicle lease contracts,
- Right of perpetual usufruct to land.

As at 31 December 2018, the Group was a party to lease contracts under which 33 passenger cars were leased.

The Group has also analysed the other concluded contracts with a view to checking whether they meet the lease definition provided for in IFRS 16. Even though there were certain doubts over the peculiarities of the right of perpetual usufruct to land, the Group decided, relying on the exact wording of section 9 of IFRS 16, that as of 1 January 2019 every right of perpetual usufruct to land will be treated by the Group as lease. The Management Board of Develia S.A. expressed serious doubts as to plots of land to which the right of perpetual usufruct has been granted and which are designated for development, which results in a considerably shorter time horizon of the actual use of land by Group companies than the maximum period of perpetual usufruct expected in accordance with IFRS 16 (a year determined in the vast majority of contracts is 2089).

As at the date of applying IFRS 16, the Group made some assessments and judgements that have significant effects on the value of lease liabilities and the right-of-use assets as at the date in question. The most important of them are as follows:

- Discount rates applied to the measurement of lease liabilities; and
- Lease term taking into consideration both the possibility of extending a lease contract and early termination (by providing termination notice).

Eventually, the discount rate has been fixed individually for respective groups of assets. As at 1 January 2019, the following discount rates were used:

- Vehicle lease contracts – a lease contract rate of interest calculated by a lessee;
- Right of perpetual usufruct to plots of land for which the original period of use expires in the majority of cases in 2089 – an interest rate of 7.31% was applied. This rate reflects a risk-free rate of interest plus the current margin that the Group would pay if it incurred debt, taking into account possible security.

The Group has decided to conduct the measurement of right-of-use assets pursuant to section C8(b)(ii) of IFRS 16, i.e. in an amount equal to lease liabilities, adjusted for any sums prepaid or lease payments charged in relation to such lease. As at the standard application date, the Group used an exemption from section C10(b) of IFRS 16. Furthermore, the Group relied on hindsight as to the determination of a lease term and future purchase of leased asset. Such an approach is permitted by section C10(e) of the standard.

The effects of applying IFRS 16 on the Statement of financial position as at 1 January 2019 are presented below. As regards the disclosure of lease in the Statement of financial position, right-of-use assets will be stated under the same items under which relevant assets would be stated if they were owned by Group companies, i.e. under *Property, plant and equipment, Investment property* and *Inventory*. However, lease liabilities will be presented in the Statement of financial position separately from other liabilities.

	1 January 2019 (no impact of IFRS 16)	Impact of application of IFRS 16		1 January 2019 (after application of IFRS 16)
		Vehicle rental	Right of perpetual usufruct to land	

Assets				
Non-current assets	**2,046,472**	**695**	**20,414**	**2,067,581**
Property, plant and equipment	5,632	695		6,327
Investment property	1,929,475		20,414	1,949,889
Current assets	**1,528,196**	**-**	**41,192**	**1,569,388**
Inventory	979,083		41,192	1,020,275
Total assets	**3,574,668**	**695**	**61,606**	**3,636,969**
Equity and liabilities				
Equity	**1,497,799**	**-**	**-**	**1,497,799**
Current and non-current liabilities	**2,076,869**	**695**	**61,606**	**2,139,170**
Lease liabilities	-	695	61,606	62,301
Total equity and liabilities	**3,574,668**	**695**	**61,606**	**3,636,969**

The total effects of the first application of the new IFRS 16 standard on the Group's balance sheet sum resulted in PLN 62,301,000.

The application of the new standard produced also significant effects on the Statement of Comprehensive Income and the Statement of Cash Flows. Costs arising from lease contracts, which prior to the entry into force of the standard were disclosed for operating lease as General administrative expenses, are now – after the changes – presented as General administrative expenses (Amortisation/Depreciation costs) and Costs of interest. Whereas payments in respect of the right of perpetual usufruct to land, which had been disclosed before in the Income Statement at *Costs of sales* or capitalised at *Investment property under construction* or *Inventory*, are recognised, once IFRS 16 has been implemented (that is to say, when relevant assets and liabilities in respect thereof have been recognised), as *Costs of interest* and *Amortisation/Depreciation costs* or will be presented at *Investment property under construction* or *Inventory* in the case of development projects.

Other Amendments to IFRS

The adoption of the other standards and amendments to existing standards, as mentioned above, did not exert any considerable impact on the financial statements.

9. New Standards and Interpretations Published But Not Effective Yet

On the approval of these financial statements, the following amendments to existing standards were issued by the IFRIC and approved for application within the EU, nevertheless they will enter into force on a later date:

- **Amendments to IAS 1 "Presentation of Financial Statements"** and **IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Materiality – approved by the EU on 29 November 2019 (applicable to annual periods beginning on or after 1 January 2020);
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** – Interest Rate Benchmark Reform – approved by the EU on 15 January 2020 (applicable to annual periods beginning on or after 1 January 2020);
- **Amendments to References to the Conceptual Framework in IFRS** – approved by the EU on 29 November 2019 (applicable to annual periods beginning on or after 1 January 2020).

Currently, IFRS in the form approved by the EU do not differ significantly from regulations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), except for the following new standards and amendments to standards which as at [the date of the publication of these statements] were not approved for application within the EU (the below entry into force dates relate to the full version of standards):

- **IFRS 17, "Insurance Contracts"** (applicable to annual periods beginning on or after 1 January 2021);
- **Amendments to IFRS 3, "Business Combinations"** – Definition of a Business (applicable to combinations for which the acquisition date is at the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of the aforesaid period);
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Classification of Liabilities as Current or Non-current (applicable to annual periods beginning on or after 1 January 2022);
- **IFRS 14, "Regulatory Deferral Accounts"** (applicable to annual periods beginning on or after 1 January 2016) – the European Commission decided not to initiate the process of approving this temporary standard for application within the EU before the release of the final version of IFRS 14;
- **Amendments to IFRS 10, "Consolidated Financial Statements" and IAS 28, "Investments in Associates and Joint Ventures"** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and subsequent amendments (the date of entry into force of the amendments was postponed until research works on the equity method have been completed).

The Group is in the process of verification of the impact of the remaining aforementioned standards on the financial situation, performance of the Group and the scope of information presented in the financial statements.

According to the Group's estimates, the above-mentioned new standards and amendments to existing standards would not have had major impact on the financial statements if they had been applied by the Group at the balance-sheet date.

10. Significant Accounting Principles

10.1. Consolidation Rules

The consolidated financial statements are composed of financial statements of Develia S.A. and the financial statements of its all subsidiary undertakings prepared for the year ended 31 December 2019 and contain comparative information for the year ended 31 December 2018 and as at 31 December 2018.

The financial statements of the subsidiary undertakings are prepared for the same reporting period as the financial statements of the Parent Undertaking, by adopting coherent accounting principles based on uniform accounting principles applied to transactions and economic events of a similar nature.

When following the consolidation procedures, all intragroup transactions and intragroup balances of subsidiaries are eliminated. Also, the value of shares held by the Company and other entities which are subject to consolidation in subsidiaries is eliminated, which consolidation corresponds to the share of the Company and other subsidiaries of the Group which are subject to consolidation in subsidiaries' equity.

The subsidiary undertakings are subject to consolidation by applying the full consolidation method as from the day of taking control over them by the Group and cease to be consolidated from the day the control stops.

10.2. Business Combinations of Entities Under Common Control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are, directly or indirectly, controlled by the same entity or a group of entities both before and after the business combination, and such common control is not transitory.

IFRS 3 "Business Combinations" does not apply to a business combination of entities or businesses under common control. In such a situation, according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, in the absence of a standard or interpretation that specifically applies to a transaction, the management may, using its professional judgement, develop accounting principles (policies), taking account of, for example, the most current regulations and application guidelines, drawn up by other entities making standards based on the assumptions of conceptual frameworks similar to IFRS. The accounting policy developed by the entity's management must not be inconsistent with any of the standards or interpretations under IFRS or the assumptions of the conceptual framework for these standards.

Based on the above principles, as the accounting policy used to account for business combinations under common control the Group adopted the pooling of interests method. The pooling of interests method consists in adding together particular items of relevant assets, liabilities, equity, revenues and costs of the companies to be combined, as at the date of their merger, having adjusted them using uniform valuation methods and after the following eliminations:

- mutual receivables and liabilities and other settlements of a similar nature of the merging entities,
- revenues and costs of business transactions made in a given accounting year before the combination of the merging entities,
- profit or loss on business transactions made before the combination of the merging entities, included in the values of assets, liabilities and equity to be combined,
- share capital of the acquired entity and non-controlling interests; after this elimination has been made the difference between the other capital and the acquisition price of the entity is recognised in other funds.

Business combinations based on the pooling of interests method do not lead to the identification and recognition of any goodwill or negative goodwill or to the identification and recognition of any additional assets and liabilities, except for those resulting from the above book values.

10.3. Fair value measurement

The Group measures financial instruments, derivative instruments and non-financial assets such as investment properties at fair value at each balance sheet date.

Fair value is defined as the price that would be received after selling an asset or paid to transfer a liability in a transaction carried out under the usual conditions of asset disposal between market participants at the measurement date in the current market conditions. A fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs:

- on the main market for the asset or liability,
- in the absence of the main market, on the most advantageous market for such asset or liability.

Both the main market and the most advantageous market must be available to the Group.

The fair value of an asset or liability is measured on the assumption that during the determination of the price of such asset or liability market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the ability of a market participant to generate economic benefits through the greatest and best use of such an asset or its disposal to another market participant that would provide the greatest and best use of the asset.

The Group uses valuation techniques that are appropriate to the circumstances and for which sufficient data is available to measure fair value, with the maximum use of the relevant observable inputs and minimal use of unobservable inputs.

All assets and liabilities that are measured at fair value or whose fair value is disclosed in the financial statements are classified in the fair value hierarchy as described below, based on the lowest level input that is significant for the fair value measurement as a whole:

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

10.4. Intangible assets

Intangible assets include assets which, as a result of past events, are under control of an entity and from which, as expected by an entity, it will gain economic benefits in the future, in particular:

- property rights, proprietary copyrights, licences, concessions, rights to: designs, inventions, patents, trademarks, decorative patterns and utility models,
- know-how

of an expected useful life longer than one year.

Intangible assets are initially stated at acquisition or production cost. After initial recognition, intangible assets are measured at acquisition or production cost less amortisation and impairment charges.

The Group determines if the useful life of intangible assets is definite or indefinite. Intangible assets with a definite useful life are amortised over their economic useful life and tested for impairment each time where there are indications thereof. The period and method of amortisation of intangible assets with a definite useful life are verified at least at the end of each financial year. Changes in the expected useful life or expected method of consuming economic benefits derived from a given asset are disclosed by a change of the period or amortisation method, respectively, and treated as changes of estimates. Amortisation charges of intangible assets with a definite useful life are disclosed in the financial result (profit or loss for the period) in the category which corresponds to the function of a given intangible asset.

Profits or losses resulting from the removal of intangible assets from the statement of financial position are measured on the basis of the difference between net proceeds from sale and the balance-sheet value of a given asset and are disclosed in the financial result (profit or loss for the period) at the time of its sale.

The summary of the principles applied in relation to the Group's intangible assets, except for goodwill, is presented below:

	Patents and licences	Computer software and other
Period of use	Indefinite. For patents and licences used on the basis of an agreement concluded for a definite period, this period is adopted, taking into account an additional period for which the useful life may be extended.	2 years
Applied method of amortisation	Values of an indefinite period of useful life are not amortised or subject to revaluation. For patents and licences concluded for a definite period the	straight-line method is applied
Produced in-house or acquired	Acquired	Acquired
Tested for impairment / verification of recoverable value	An indefinite period of useful life – annually or if there are indications of impairment. For others – annual assessment if there are indications of impairment.	Annual assessment if there are indications of impairment.

As at 31 December 2019 and as at 31 December 2018 there were no intangible assets of an indefinite period of use.

10.5. Property, plant and equipment

Tangible Assets

Tangible assets are disclosed according to the acquisition/production cost less depreciation and impairment charges. The initial value of tangible assets includes their acquisition price increased by all costs directly related to their acquisition and adaptation to a proper operating condition. The cost also includes the cost of replacing components of machinery and equipment at the time it is incurred, if the criteria of recognition are fulfilled.

Costs incurred after the date of handing over a tangible asset for use, such as costs of maintenance and repair, are charged to the statement of comprehensive income at the time they are incurred.

At the moment of their acquisition, tangible assets are divided into components of significant value, to which a separate period of useful economic life can be assigned.

On liquidation or sale of tangible assets, the initial value thereof and depreciation to date are derecognised, and the result of liquidation or sale is included in the financial result (profit or loss for the period).

Tangible assets are depreciated on a straight-line basis throughout a period corresponding to an estimated useful life, and they categorised as follows:

Type	Period (in years)
Machinery and technical equipment	5 years
Office equipment	2 years
Other means of transport	5 years
Investments in third-party tangible assets	10 years (or the term of contract, if shorter)
Computers	3 years

If during the preparation of the financial statements the circumstances occurred indicating the possible impairment of any tangible assets, such assets are reviewed for possible impairment. If there is any objective evidence of impairment and the balance-sheet value exceeds the assessed recoverable value, the value of these assets or cash-generating units to which they belong is decreased to the level of the recoverable value. The recoverable value corresponds to the higher of: fair value less selling costs of the asset or its value in use, respectively. While assessing the value in use, the projected cash flows are discounted to their current value by applying a gross discount rate, which reflects the current market assessment of the time value of money and the risk typical for a given asset. In the case of an asset which does not generate cash independently, the recoverable value is established for the cash-generating centre which owns the asset. Impairment charges are recognised in profit or loss.

A given item of property, plant and equipment can be removed from the statement of financial position after its disposal or in the case when no economic advantages resulting from the further use of such item are expected. All profits or losses resulting from the removal of a given asset from the statement of financial position (calculated as the difference between potential net proceeds from sales and the balance-sheet value of a given item) are disclosed in profit or loss for the period during which such removal was effected.

The final value, period of usage and method of depreciation of assets are verified and, if necessary, adjusted, at the end of each accounting year.

Tangible Assets Under Construction

Tangible assets under construction concern tangible assets being built or assembled and are disclosed according to the acquisition or production cost. Tangible assets under construction are not subject to depreciation by the time they are built and handed over for use.

10.6. Investment property

Investment property

Investment property is defined as land, a building or part of a building, which the company treats as a source of rental income or keeps on account of an increase in its value. The condition for disclosure under this item of the statement of financial position is:

- the probability of obtaining economic benefits on account of possessing the property,
- the possibility of the reliable determination of the acquisition or production cost.

The initial disclosure of investment property occurs at the acquisition price allowing for the transaction costs (among others, direct costs associated with finalising rental agreements). The balance-sheet value of an asset includes the cost of replacing a part of the investment property at the time it is incurred, provided that the disclosure criteria are met and it does not include the cost of the current maintenance of such property. After the initial disclosure, investment property is disclosed at fair value. Profits or losses resulting from the changes of the fair value of investment property are disclosed in the financial result (profit or loss for the period) in the period when they arose.

Investment property is removed from the statement of financial position when it is disposed of or in the case of a permanent withdrawal of a given investment property from use, when no future advantages from its disposal are expected. All profits or losses resulting from the removal of an investment property from the statement of financial position are disclosed in the financial result (profit or loss for the period) in the period when the removal was effected.

Transfer of assets to investment property is made only when there is a change in the way of their use, confirmed by finishing the use of an asset by the owner or entering into an operating lease contract. However, if an asset used by the owner becomes investment property, the Group applies principles described in section Tangible assets up to the day of change in the way of using the property. In the case of transferring assets from inventories to investment properties, the difference between the fair value of the property established at the day of transfer and its previous balance-sheet value is disclosed in the financial result (profit or loss for the period). When the Group completes the construction or production of investment property, the difference between the fair value of the property established at the day of transfer and its previous balance-sheet value, is disclosed in the financial result (profit or loss for the period) under Revaluation of non-current non-financial assets.

In the case of the transfer of investment property to assets used by the owner or to inventories, the supposed cost of such asset, which will be accepted to be disclosed in another category, equals the fair value of the property established as at the day of change in its use.

Fair value is established by an independent valuer or based on a model of investment capitalisation.

Investment property under construction

Property under construction intended to be used as investment property in the future is disclosed as investment property.

For investment properties the Group uses a fair value measurement model, hence investment properties under construction are also measured at fair value.

However, in the case when the fair value of investment property under construction cannot be reliably assessed on a continuous basis, such investment property under construction is measured using the historical cost model, until one of two dates, whichever is earlier: the date of completing the building process or the time when the fair value can be reliably assessed.

Apart from acquisition or production costs, the costs of investment property under construction include the commission for agents on account of effecting contracts on office space rental.

10.7. Recoverable Value of Non-current Non-financial Assets

At the end of each reporting period, the Group assesses whether there is any objective evidence that the assets are impaired. If any such evidence exists, the Group assesses the recoverable value of these assets, i.e. determines whether the current book value of a given asset is higher than the value that can be obtained from its further use or sale. If the balance-sheet value of a given asset or a cash-generating unit exceeds its recoverable value, its impairment is recognised and an impairment charge is made to arrive at the established recoverable value. This impairment charge is included in the financial result (profit or loss for the period) under "Revaluation of non-current non-financial assets". The recoverable value corresponds to the higher of: fair value less selling costs or the value in use of a given asset or cash generating unit.

The recoverable value is determined for individual assets, unless a given asset does not generate separate cash inflows, largely independent of those generated by other assets or asset groups. If the balance-sheet value of an asset is higher than its recoverable value, the value of the asset is impaired and impairment charges are recognised up to the established recoverable value. While assessing the value in use, the projected cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. Impairment charges related to the assets used in the continued operations are disclosed under the cost categories corresponding to the function of the asset with respect to which impairment has been identified.

At the end of each reporting period, the Group assesses whether there is any objective evidence that the impairment charge which was disclosed in previous periods in relation to a given asset is unnecessary or if it should be diminished. If any such evidence exists, the Group assesses the recoverable value of this asset. The previously disclosed impairment charge is reversed only if since the recognition of the last impairment charge there was a change of estimates used to establish the recoverable value of a given asset. In this case, the balance-sheet value of the asset is increased to its recoverable value. The increased amount cannot exceed the balance-sheet value of the asset which would be established (after deducting amortisation) if the impairment charge was not disclosed at all in relation to this asset in the previous years. The reversal of the impairment charge of an asset is disclosed immediately as income. In the following periods, after the reversal of the impairment charge, the depreciation charge concerning a given asset is adjusted in a way that makes it possible, during the rest of the period of use of this asset, to write off systematically its verified balance-sheet value less the end value.

10.8. Inventory

"Inventories" disclose expenditures incurred, concerning unsold flats intended for sale. Such expenditures include the right of perpetual usufruct to land or land, construction costs relating to works performed by subcontractors in connection with the building of flats, capitalised costs including the costs of external financing, costs of planning and design, mark-ups of administrative expenses directly connected with the construction project and other costs relating to such projects.

Initially, inventories are disclosed at their production cost. After the initial disclosure, inventories are measured at the lower of: acquisition/production cost and net realisable value.

10.9. Financial Assets

Financial assets are classified as falling into the following categories:

- Financial assets measured at amortised cost,
- Financial assets measured at fair value through profit or loss,
- Financial assets measured at fair value through comprehensive income,
- Hedging Financial Instruments

Financial assets are classified on the basis of:

- A business model concerning the management of financial assets;
- Cash flows arising from a contract, which are typical of a financial asset.

Assets are classified as at the time of the initial recognition thereof. The classification of financial debt assets depends on a business model used for the management of financial assets and on the characteristics of contractual cash flows (SPPI test) for a given financial asset.

The Group decided that the following are classified under the category of Assets measured at amortised cost: *Trade receivables, Granted borrowings* that satisfied the SPPI test criterion, *Other receivables, Deposits* and *Cash and cash equivalents.*

Financial assets measured at amortised cost are measured at an amount of amortised cost using the effective interest rate method, while taking into consideration impairment write-downs. Trade receivables with a maturity of 12 months from the date on which they are created (i.e. which do not include a financing component), which have not been transferred to a factoring company, are not discounted and will be measured at a nominal amount.

The category of *Assets measured at fair value through other comprehensive income* includes a financial asset if the following conditions have been met:

- The asset is held within a business model whose objective is both to hold and sale financial assets in order to collect contractual cash flows and; and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. an asset has satisfied SPPI test).

The consequences of changes in fair value are included in other comprehensive income until an asset is derecognised from the Statement of financial position, when cumulative profit/ loss is recognised in the Income statement.

Irrespective of the aforesaid classification criteria, it is possible to irrevocably designate a financial asset being an investment in an equity instrument for the measurement option at fair value through other comprehensive income.

There is no possibility of choosing fair value through other comprehensive income for instruments held for trading.

Profits and losses on both the measurement and realisation which are made in relation to such assets are recognised under other comprehensive income, except for revenues from dividends received which are stated in the Income statement.

The category of *Assets measured at fair value through profit or loss* includes all financial instruments that have not been classified as measured at amortised cost or as measured at fair value through other comprehensive income, as well as those instruments which the Group has decided to classify under the category in question in order to eliminate an accounting mismatch.

Also borrowings granted which failed the contractual cash flows test and derivative instruments in the form of assets, provided that they have not been designated as hedging instruments, are classified by the Group at the aforesaid category.

Profits and losses on a financial asset classified as measured at fair value through profit or loss are included in a profit or loss for the period over which such profits were generated and such losses were incurred.

The category of *Financial hedging instruments* includes financial assets and liabilities being designated financial instruments which satisfy the hedge accounting requirements, measured at fair value taking account of all market risk and credit risk components.

The purchase and sale of financial assets are initially recognised as at the date of the transaction. At its initial recognition a financial asset is measured at fair value, increased, in the case of the financial asset not classified as measured at fair value through profit or loss, by transaction costs that can be allocated directly to its acquisition.

A financial asset is derecognised from the statement of financial position when the rights to contractual cash flows have expired or when an asset has been transferred, i.e. substantially all risks and benefits associated with an asset held have been already transferred.

Trade and Other Receivables

Trade and other receivables are recognised and disclosed at amounts initially invoiced, taking account of revaluation write-off on receivables in line with the model of expected credit losses.

If a significant financing component exists for over 12 months, the value of receivables is determined by discounting the projected future cash flows to their present value using a gross discount rate reflecting the current market assessments of the time value of money. If the discount method is applied, an increase in receivables over time is recognised as financial income.

Cash and Cash Equivalents

Cash and cash equivalents shown in the statement of financial position comprise cash in a bank account and short-term deposits with the initial maturity of up to three months.

The balance of cash and cash equivalents disclosed in the consolidated statement of cash flows consists of the above-defined monetary assets and their equivalents.

10.10. Impairment of Financial Assets

As at every balance-sheet date, the Group makes an estimate of a financial asset impairment write-down based on an expected credit losses impairment model. To determine a future expected impairment, the Group takes into consideration any reasonable and proved information, including such which refers to the future. In addition, the Company performs an analysis individually for trade receivables and makes write-downs equal to an amount that can be estimated in a reliable way where the uncollectibility of such receivables is highly probable.

As at the time of applying IFRS 9, due to the nature of receivables, the Company analysed the history of write-downs disclosed and arrived at a conclusion that adopting the expected credit losses model did not have any impact on the amount of write-downs made for that purpose.

10.11. Hedging Instruments

Derivatives used to hedge against the interest rate risk and currency risk include in particular FX forwards and interest rate swaps. Derivative financial instruments of this type are measured at fair value.

The fair value of FX forwards is established by reference to the current forward rates of contracts with similar maturity. The fair value of interest rate swaps is established by reference to the market value of similar instruments.

Hedge accounting distinguishes between hedging instruments such as:

- fair value hedges, protecting against the risk of changes in the fair value of a recognised asset or liability, or
- cash flow hedges, protecting against the changes in cash flows attributable to a specific risk connected with a recognised asset, liability or forecast transaction, or
- a net investment hedge of a foreign operation.

In the case of fair value hedges which meet the conditions for the application of special hedge accounting, the gain or loss on revaluation of the fair value hedging instrument is recognised immediately as profit or loss. Any gains or losses on the hedged item, attributable to the hedged risk against which an entity desires to be protected, adjust the balance-sheet value of the hedged item and are also recognised as profit or loss. If an adjustment is made to the balance-sheet value of a hedged interest-bearing financial instrument, such adjustment is charged to the net financial result in such a manner that it may be fully amortised before the instrument's maturity date.

In the case of cash flow hedges which meet the conditions for the application of special hedge accounting, the portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income, while the portion determined to be an ineffective hedge is recognised directly in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income and accumulated in equity are transferred to the statement of profit and loss in the same period or periods during which the acquired asset or assumed liability affects profit or loss.

If the hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, gains or losses which were recognised in other comprehensive income, are reclassified from equity into profit or loss in the same period or periods during which the acquired non-financial asset or assumed non-financial liability affects profit or loss.

Gains or losses arising from a change in the fair value of derivatives which do not meet the conditions for the application of special hedge accounting, are recognised directly in the net financial result for the current period.

The Group ceases to apply the principles of hedge accounting when the hedging instrument expires or is sold, the instrument's use is approaching an end or the instrument is exercised, or when the hedge no longer meets the criteria for special hedge accounting. In such a case the total gain or loss on the hedging instrument, disclosed in other comprehensive income and accumulated in equity, continues to be recognised in equity until the forecast transaction takes place. If the Group no longer expects a forecast transaction to take place, the total net gain or loss recognised in equity is posted to the net financial result for the current period.

The Group applies cash flow hedge accounting.

10.12. Prepayments

During the reporting period prepayments include, among others:

- costs of rent and lease paid in advance,
- costs of energy paid in advance,
- costs of property insurance,
- costs of charges for the right of perpetual usufruct,
- property tax,
- other financial expenses charged in advance,
- commissions for effecting agreements on sales of flats,
- other costs relating to consecutive reporting periods.

Costs subject to activation in the prepayments and accrued income account are settled proportionally to the passage of time in the following financial periods to which they relate. Costs of effecting the sale of flats are settled upon obtaining revenue from the sale of flats.

10.13. Equity

Equity consists of:

- share capital
- reserve funds
- other capital reserves
- retained earnings
- other funds

Equity is measured at its par value compliant with the articles of association. Supplementary capital is measured as the excess of the issue price over the par value of the shares, reduced by the costs associated with the share issue and increased/decreased by approved profits/losses in the previous years, including the consolidation adjustments of such profits/losses.

Other capital reserves are measured at the amount of revaluation to fair value of the purchase of a significant asset, less deferred tax. For other funds, the effects of the measurement of share incentive schemes for managerial staff are presented.

10.14. Financial Liabilities

Components of financial liabilities are classified by the Group under one of the following categories:

- Financial liabilities measured at amortised cost,
- Financial liabilities measured at fair value through profit or loss,
- Hedging financial instruments.

Liabilities on account of bank loans, borrowings and debt securities

All bank loans, borrowings and debt securities are initially recognised at fair value, net of acquisition costs associated with obtaining the same.

After their initial recognition, bank loans, borrowings and debt securities are subsequently measured at amortised cost, using the effective interest rate method, except for financial liabilities designated as hedged items, which are subject to the principles of hedge accounting, or liabilities qualified at initial recognition as financial instruments measured at fair value through profit or loss.

Costs related to the acquisition of a loan or borrowing, discounts and premiums received at the moment of liability settlement are taken into account when calculating the amortised cost.

Gains and losses are recognised in the statement of comprehensive income at the moment of liability removal from the statement of financial position as well as during the relevant periods of the instrument's life cycle, using the effective interest rate method.

Liabilities on Account of Acquisition of Subsidiary

Liabilities on account of acquisition of subsidiary are initially recognised at fair value, net of acquisition costs associated with incurring such liabilities.

Where an agreement has been made as to a deferred payment date, the acquisition price disclosed in financial statements as at a date of purchase corresponds to the discounted future payments. The discount amount is recognised at *Other capital* and reduces an acquisition price set in a contract.

After initial recognition, the discount is included in *Financial expenses*.

Finance Lease Liabilities

Lease is classified as finance lease where substantially all risks and benefits associated with ownership are transferred under the terms and conditions of a contract to a lessee. All other lease types are considered operating lease.

Subsidiaries of the Group are parties to lease contracts under which they use against payment or derive benefits from third-party tangible assets or intangible assets over an agreed term.

For finance lease contracts under which substantially all risk and benefits associated with the ownership of assets leased thereunder are transferred, leased assets are recognised in assets as tangible assets at the lower of the fair value and the present minimum lease payments set as at a date of lease commencement. Lease payments are apportioned between the finance charges and the reduction of the balance of liabilities, so as to achieve a fixed rate of interest on the outstanding commitments. Finance charge is disclosed directly in the Consolidated Statement of Comprehensive Income.

Tangible assets used under lease contracts are depreciated over their expected useful lives.

Lease payments under lease agreements that do not satisfy the conditions of finance lease are recognised as expenses in the consolidated statement of comprehensive income on a straight line basis over the period of the lease.

The impact of IFRS 16, "Lease" being implemented on 1 January 2019 on the Consolidated Financial Statements is described in Note 9.

Trade and Other Payables

Trade and other payables are measured in an amount to be paid.

10.15. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, such that an outflow of resources embodying economic benefits is certain or highly probable to be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions for onerous contracts and liabilities are measured at a justified, reliably assessed value.

Provisions are charged to operating expenses, other operating expenses or financial expenses, depending on circumstances from which the liability results.

Costs relating to a specific provision are disclosed in the financial result (profit or loss for the period), net of any reimbursements. In case the time value of money is a material factor, the provision is measured using the present value of future cash flows at the gross discount rate which reflects the current market estimates of the time value of money and the risk related to the specified liability. If the discount method is applied, the increase in the provision over time will be recognised as financial expenses.

The provision is decreased by the occurrence of a loss or liability for which it was created, and unused provisions (because the risk of losses, for which the provisions were created, ceased or diminished) are reversed and credited to the accounts against which they were previously charged.

10.16. Accrued Expenses

Accrued expenses are created in the amount of probable liabilities due in the current reporting period, particularly resulting from:

- the value of services provided by contractors, whose amount can be assessed in a reliable way,
- the obligation to provide future services resulting from the current activity, whose amount can be assessed, although the date of their provision is not known yet, and which can include, among others:
    - costs of remuneration and mark-ups connected with the results of the period, but paid in the following reporting periods,
    - costs of auditing these financial statements and other costs relating to the reporting period.

10.17. Retirement Benefits

Under the Group's remuneration plans, its employees are entitled to retirement benefits. The retirement benefits are paid once at retirement. The amount of retirement benefits depends on the number of years of service and an employee's average remuneration. The Group creates a provision for future retirement benefits in order to allocate costs to relevant periods. In accordance with IAS 19, retirement benefits are classified as post-employment benefit plans. The accumulated liabilities equal discounted future payments, considering employee rotation, and relate to the period up to the end of the reporting period. Demographic data and information on employee rotation are based on historical records. Actuarial gains and losses are recognised in the statement of other comprehensive income.

The re-measurement of liabilities on account of employee benefits relating to defined benefit plans, including actuarial gains and losses, is recognised in other comprehensive income and is not further reclassified to profit or loss.

10.18. Valuation of Assets and Liabilities Expressed in Foreign Currencies

As at the balance-sheet date, monetary assets and liabilities expressed in currencies other than PLN are converted to PLN at a closing rate. In practice, unless this leads to significant differences, the Group uses a simplification and considers a closing rate to be an average rate of exchange of the National Bank of Poland applicable to a given currency and effective at the end of a reporting period.

During the reporting period:

- operations of sale and purchase of foreign currencies and operations of payment of receivables or payables are measured at the buy or sale rate of the bank providing services to the undertaking,
- other operations are valued at the mid-exchange rate quoted for the given currency by the National Bank of Poland, effective on the day preceding the operation, unless a different rate was established in the customs declaration or another document binding on a given undertaking.

The foreign exchange gains and losses resulting from translation are recognised in financial income (expenses), respectively, or, in cases determined by the accounting principles (policy), capitalised in the value of assets. Non-cash assets and liabilities are recognised at their historical cost in foreign currency and disclosed at the historical exchange rate effective as at the transaction date. Non-cash assets and liabilities measured at fair value in a foreign currency are translated at the exchange rate effective as at the date of the fair value measurement. The following exchange rates were applied to the valuation:

	31 December 2019	31 December 2018
EUR/PLN	4.2585	4.3000

10.19. Contingent Liabilities

A contingent liability is a probable liability which arises due to past events and whose existence will be confirmed only in the future on the occurrence of uncertain events (over which the undertaking does not have full control). A contingent liability can also be a current liability of the undertaking, which arises due to past events and cannot be valued credibly enough, or it is not probable that the fulfilment of this liability will cause any outflow of resources containing economic benefits. Therefore, such a liability is not recognised in the statement of financial position, but it is described in additional information and explanatory notes to the financial statements.

10.20. Revenues

Revenue is recognised to the extent to which it is probable that the Group will obtain economic benefits related to a given transaction and when the amount of revenue can be reliably measured. Revenue is recognised net of VAT and rebates. When recognising revenues the below presented criteria also apply.

Revenue from sales of goods and products

Revenue is recognised when significant risks and benefits related to the ownership of goods and products have passed to the buyer and the amount of revenue can be assessed in a reliable way. Revenue from the realisation of instruments hedging cash flows adjusts the value of revenue from sales of goods and products.

Revenue from Sales of Flats

Revenue from the sale of residential and retail premises is recognised at the time when an obligation to make a performance is fulfilled.

The obligation to make a performance is deemed to be fulfilled at the time when the following conditions have been met:

(i) obtaining the occupancy permit for the buildings;

(ii) payment of 100% of the value of the premises, based on the developer agreement or preliminary agreement;

(iii) acceptance of the premises by the client, evidenced by the delivery and acceptance protocol;

(iv) signing of the developer agreement or notarial deed transferring the title.

In the case of the financing of part of the price by the state in accordance with the Act of 27 September 2013 on State Aid in the Purchase of the First Flat by Young People (MDM), the conditions set out in item (ii) are also met when a bank financing the client confirms the reservation of funds (the last instalment of the payment) for this purpose and when the developer agreement contains the relevant provision.

Payments received from customers under residential premises sales agreements until the time when the obligation to make a performance has been fulfilled are presented at *Accrued Expenses and Revenues.*

Costs associated with premises which have already been sold, and which will be incurred in the periods following the recognition of sale (including costs of repairing faults and costs of finishing the common spaces), are estimated and disclosed in the financial result (profit or loss for the period) in the period when the sale of the given premises took place.

Revenue from sales of services

Revenue from Rental

Revenue from the rental of investment properties is disclosed using the straight-line method for the period of rental in relation to contracts executed.

Interest

Interest revenues are recognised using the effective interest rate method which discounts expected cash flows to the gross carrying amount of an asset or the amortised cost of financial liability.

Dividends

Dividends are recognised at the moment of establishing dividend rights for the shareholders.

10.21. Current Tax

Current tax payables and receivables for the current period and previous periods are measured at the amounts of forecasted payments to tax authorities (amounts recoverable from tax authorities), applying tax rates and tax regulations which were legally or actually effective as at the end of the reporting period.

10.22. Deferred Tax

For the needs of financial reporting, a deferred tax liability is created with the use of the balance-sheet liability method in relation to all temporary differences existing as at the end of the reporting period between the tax value of assets and liabilities and their balance-sheet value as disclosed in the financial statements.

Deferred tax liabilities are recognised with regard to all positive temporary differences:

- except for the cases where a deferred tax liability arises on account of the initial recognition of goodwill or the initial recognition of an asset or liability in the transaction that does not represent a business combination and does not have any impact on pre-tax profit or loss, taxable income or tax loss at the time of effecting it, and
- in the case of positive temporary differences resulting from investment in subsidiaries, associates and shares in joint ventures – except where the timing of the reversal of temporary differences can be controlled by the investor and where it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all negative temporary differences as well as unused tax relief and unused tax losses carried forward, to the extent to which it is probable that taxable income will be available, against which the above differences, relief and losses can be utilised:

- except for the cases where deferred tax assets related to negative temporary differences arise on account of the initial recognition of an asset or liability in the transaction that does not represent a business combination and does not have any impact on pre-tax profit or loss, taxable income or tax loss at the time of effecting it, and
- in the case of negative temporary differences resulting from investment in subsidiaries, associates and shares in joint ventures, a deferred tax asset is recognised in the statement of financial position only to the extent to which it is probable that the above temporary differences will reverse in the foreseeable future and a taxable income will be available from which negative temporary differences can be deducted.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced by the amount for which it is no longer probable that a taxable income will be available, sufficient for a partial or complete utilisation of a deferred tax asset.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply in the period when the asset is realised or the liability is reversed, based on the tax rates (and tax laws) effective at the end of the reporting period or the ones whose enforcement in the future is certain as at the end of the reporting period.

Income tax relating to items recognised outside profit or loss is recognised outside profit or loss: in other comprehensive income relating to items recognised in other comprehensive income or directly in equity relating to items recognised directly in equity.

The Group offsets deferred tax assets with deferred tax liabilities if, and only if it possesses an enforceable legal right to set off current tax receivables against payables and when deferred income tax relates to the same taxpayer and the same tax authority.

If in the opinion of the Group, it is likely that the approach of the Group to the tax issue or a group of tax issues is accepted by the tax authority, the Group determines the taxable profit (tax loss), tax base, unused tax losses and unused tax credits and tax rates taking into account the approach to taxation the planned or used in its tax return.

If the Group determines that it is unlikely that the tax authority accepts the approach of the Group to the tax issue or a group of tax issues, then the Group reflects the impact of uncertainty in determining the taxable profit (tax loss), unused tax losses and unused tax credits or tax rates. The Group reflects this effect by determining the most likely scenario.

10.23. Value Added Tax

Revenue, expenses, assets and liabilities are recognised net of value added tax, except:

- in the case when the value added tax paid at the acquisition of assets or services is not recoverable from the tax authorities; it is then disclosed accordingly as a part of the acquisition price of an asset or a part of a cost item, and
- receivables and liabilities which are disclosed including the amount of value added tax.

The net amount of value added tax recoverable from or payable to the tax authorities is disclosed in the statement of financial position as part of receivables or liabilities.

10.24. Borrowing Costs

Borrowing costs allocated to the financing of the construction or production of tangible assets or investment properties and the construction of flats presented as inventories – work in progress are subject to capitalisation. These costs comprise interest due up to the moment of handing an asset over to use, loss on foreign exchange differences up to the amount corresponding to the adjustment of the cost of interest to the interest level appropriate for the local currency, and gains on foreign exchange differences up to the amount of earlier losses capitalised on account thereof.

10.25. Net Profit/(Loss) per Share

Basic profit/(loss) per share is calculated by dividing net profit/(loss) for the period attributable to ordinary shareholders of the Parent Undertaking by the average weighted number of issued ordinary shares occurring during the period.

Diluted profit/(loss) per share is calculated by dividing net profit/(loss) for the period attributable to ordinary shareholders of the Parent Undertaking (after deducting interest on depreciable preferred shares convertible to ordinary shares) by the average weighted number of issued ordinary shares occurring during a period, adjusted by the impact of diluting options and diluting depreciable preferred shares convertible to ordinary shares.

11. Information on Segments of Activity

For management purposes, the Group distinguishes three reporting operating segments, which have been identified on the basis of diversified products and services:

- rental services segment
- property development activity segment
- holding (other) activity segment

The Group performs the assessment of the results of operating segments on the basis of sales revenue and gross sales result. The results of other operating activity and financial activity are managed at the Group’s level and are not allocated to operating segments.

The tables below present the data concerning revenues and profits in the Group's respective business segments for the year ended 31 December 2019 and for the year ended 31 December 2018 and assets and liabilities in the Group's respective business segments for the year ended 31 December 2019 and for the year ended 31 December 2018.

(PLN '000)

Year ended 31 December 2019	Rental services	Property development activity	Holding (other) activity	TOTAL
Total sales revenue	**140,614**	**678,336**	**314**	**819,264**
Pre-tax profit/(loss) on sales (Segment result)	**94,468**	**225,330**	**314**	**320,112**
Unallocated revenues				21,444
Unallocated expenses				(190,510)
Pre-tax profit/(loss)				**151,046**
Income tax (tax expense)				(33,664)
Net profit/(loss)				**117,382**

Year ended 31 December 2018	Rental services	Property development activity	Holding (other) activity	TOTAL
Total sales revenue	**147,645**	**648,960**	**129**	**796,734**
Pre-tax profit/(loss) on sales (Segment result)	**99,231**	**201,216**	**129**	**300,576**
Unallocated revenues				22,944
Unallocated expenses				(121,787)
Pre-tax profit/(loss)				**201,733**
Income tax (tax expense)				(41,353)
Net profit/(loss)				**160,380**

The Group’s activity is conducted within Poland. Rental activity is carried out in two retail and office centres: Arkady Wrocławskie and Sky Tower in Wrocław and in the following office buildings: Wola Center and Wola Retro in Warsaw. Furthermore, rental activities in the “Silesia Star” and “Retro Office House” office buildings, located in Katowice and Wrocław respectively, were conducted until 19 July 2019. The development activity is conducted in Gdańsk, Katowice, Cracow, Łódź, Warsaw and Wrocław.

As at 31 December 2019	Rental services	Property development activity	Holding (other) activity	TOTAL
Assets and liabilities				
Total assets, including:	**1,649,887**	**1,518,135**	**75,903**	**3,243,925**
Investment property	*1,096,679*	-	-	*1,096,679*
Inventory	*6*	*1,062,022*	-	*1,062,028*
Cash and Cash Equivalents	*66,266*	*242,737*	*31,887*	*340,890*
Non-current assets classified as held for sale	*446,282*	-	-	*446,282*
Total liabilities, including:	**726,709**	**974,408**	**33,924**	**1,735,041**
Liabilities on account of loans and bonds	*564,729*	*462,715*	-	*1,027,444*
Liabilities on account of acquisition of subsidiary	-	-	-	-
Accrued Expenses and Revenues	*6,662*	*344,126*	*10,524*	*361,312*

(PLN '000)

As at 31 December 2018	Rental services	Property development activity	Holding (other) activity	TOTAL
Assets and liabilities				
Total assets, including:	**2,057,481**	**1,374,753**	**142,434**	**3,574,668**
Investment property	*1,929,475*	*-*	*-*	*1,929,475*
Inventory	*16*	*979,067*	*-*	*979,083*
Cash and Cash Equivalents	*86,943*	*259,854*	*120,901*	*467,698*
Non-current assets classified as held for sale	*-*	*-*	*-*	*-*
Total liabilities, including:	**895,037**	**1,105,069**	**76,763**	**2,076,869**
Liabilities on account of loans and bonds	*728,925*	*485,540*	*-*	*1,214,465*
Liabilities on account of acquisition of subsidiary	*-*	*-*	*38,996*	*38,996*
Accrued Expenses and Revenues	*1,482*	*539,224*	*9,668*	*550,374*

12. Revenues and expenses

12.1. Sales Revenue

	Year ended 31 December 2019	Year ended 31 December 2018
Revenue from the rental of office space and the shopping and service centre and related services	140,850	147,582
Revenue from sales of services	**140,850**	**147,582**
Revenue from the sale of residential and retail premises	677,207	645,344
Other (*)	1,207	3,808
Revenue from sales of goods and products	**678,414**	**649,152**
Total revenue from customer agreements	**819,264**	**796,734**

(*) – this item includes mainly land sold

In 2019, the Group's operating activity related to the rental of commercial property was conducted in retail and office centres: Arkady Wrocławskie and Sky Tower, and in office buildings: Wola Center and Wola Retro. Furthermore, rental activities in the "Silesia Star" and "Retro Office House" office buildings, located in Katowice and Wrocław respectively, were conducted until 19 July 2019.

Future minimum payments on account of lease contracts, to which the Group is the leasing party, are as follows:

	Year ended 31 December 2019(*)	Year ended 31 December 2018
up to 1 year	48,541	99,343
between 1 year and 5 years	153,353	261,953
above 5 years	75,271	51,990
TOTAL	**277,165**	**413,286**

(*) - as regards the "Wola Center" real property, the figures as at 31 December 2019 include rental revenue only until the date of disposal, i.e. 29 January 2020.

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Minimum payments relate to investment property lease contracts concluded as at 31 December 2019 and as at 31 December 2018, which are conventionally concluded for periods of 3 to 10 years, without a notice period, with the possibility of extending contracts for subsequent periods.

12.2. Expenses by type

	Year ended 31 December 2019	Year ended 31 December 2018
Depreciation and amortisation	1,434	1,157
Consumption of materials and energy	5,914	10,834
Contracted services	34,680	34,273
Taxes and charges	11,414	11,932
Remuneration	35,395	31,433
Social security and other benefits	4,639	4,922
Other costs by type	8,690	6,196
Change in products and work in progress	451,713	447,732
Total	**553,879**	**548,479**
Cost of sales	499,152	496,158
Selling and distribution cost	16,419	17,631
General administrative expenses	38,308	34,690
Total	**553,879**	**548,479**

12.3. Profit /(loss) on investment property

	Year ended 31 December 2019	Year ended 31 December 2018
Revenue from sales of real estate	482,522	-
Value of real estate sold	(482,522)	-
Changes in real estate value in EUR within the period	(15,897)	(34,984)
Change in real estate valuation in respect of altered EUR to PLN exchange rate within the period	(18,056)	54,213
Change in real estate valuation in respect of expenditures incurred within the period	(17,613)	(3,155)
Costs of sales transaction (net of costs relating to the repayment of financial liabilities)	(30,486)	-
Costs of sales transaction (costs relating to the repayment of financial liabilities)	(3,440)	-
Adjustment for linearisation of revenues from lease	(5,742)	(3,564)
Total	**(91,234)**	**12,510**

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Due to significant changes in investment property in the year ended 31 December 2019, the details of changes are as follows:

Year ended 31 December 2019	Arkady Wrocławskie	Wola Center	Sky Tower	Silesia Star	Retro Office House	Wola Retro	TOTAL
Revenue from sales of real estate	-	-	-	231,828	250,694	-	**482,522**
Value of real estate sold	-	-	-	(231,828)	(250,694)	-	**(482,522)**
Changes in real estate value in EUR within the period	(65,325)	(1,703)	(1,831)	-	-	52,963	**(15,896)**
Change in real estate valuation in respect of altered EUR to PLN exchange rate within the period	(2,878)	(4,245)	(5,038)	(1,985)	(2,146)	(1,764)	**(18,056)**
Change in real estate valuation in respect of expenditures incurred within the period	(4,330)	(766)	(9,059)	(1,255)	(2,204)	-	**(17,614)**
Costs of sales transaction (net of costs relating to the repayment of financial liabilities)	-	(4,784)	-	(15,179)	(10,523)	-	**(30,486)**
Costs of sales transaction (costs relating to the repayment of financial liabilities)	-	(30)	-	(2,370)	(1,040)	-	**(3,440)**
Adjustment for linearisation of revenues from lease	-	6	(1,126)	(778)	(1,555)	(2,289)	**(5,742)**
Total	**(72,533)**	**(11,522)**	**(17,054)**	**(21,567)**	**(17,468)**	**48,910**	**(91,234)**

The aforesaid transaction costs arising from the sale of the Wola Center real estate do not include the cost of closing transactions hedging against interest rate risk for the PLN 14,485,000 loan for building and financing of Wola Center. Due to the fact that the transaction concerns a financial instrument, it cannot be treated as a transaction cost and will be recognised in the profit or loss upon closing the hedging transaction, i.e. in 2020.

12.4. Depreciation/Amortisation Costs Disclosed in Statement of Comprehensive Income

	Year ended 31 December 2019	Year ended 31 December 2018
Items disclosed in the cost of sales:	**-**	**-**
Depreciation of tangible assets	-	-
Amortisation of intangible assets	-	-
Items disclosed in selling expenses:	**725**	**575**
Depreciation of tangible assets	719	574
Amortisation of intangible assets	6	1
Items disclosed in general administration expenses	**709**	**582**
Depreciation of tangible assets	550	355
Amortisation of intangible assets	159	227
Total Amortisation/Depreciation	**1,434**	**1,157**

12.5. Costs of Employee Benefits

Costs of Employee Benefits by Type

	Year ended 31 December 2019	Year ended 31 December 2018
Remuneration	35,395	31,433
Costs of social security	3,987	4,260
Costs of retirement benefits	-	-
Other post-employment benefits	-	-
Other benefits	652	662
Total costs of employee benefits, including:	**40,034**	**36,355**

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Employee Share-based Incentive Schemes

In the presented period, the Company did not have any share incentive schemes.

Structure of employment

The average employment in the Group in the year ended 31 December 2019 and 31 December 2018 was as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Management Board of Parent Undertaking	4.01	4.60
Management Boards of Group's Entities (*)	-	0.50
Administration	118.80	113.19
Sales Department	37.45	42.08
Others	-	-
Total	**160.26**	**160.37**

(*) members of the management boards of the Group's entities are persons from the Management Board of the Parent Undertaking

12.6. Other operating income

	Year ended 31 December 2019	Year ended 31 December 2018
Net reversal of provisions for remedying construction faults and defects	-	-
Reversal of provisions recognised as accruals	-	-
Damages and penalties received	275	712
Sale of other services associated with intermediation	494	929
Unused provisions for construction works	2,143	-
Other	2,363	2,574
Other operating income	**5,275**	**4,215**

12.7. Other operating expenses

	Year ended 31 December 2019	Year ended 31 December 2018
Net write-downs of receivables	4,190	3,127
Created net provisions for disputes and court proceedings	337	1,125
Created other net provisions	37	-
Costs of court or enforcement proceedings	256	875
Other	1,751	4,239
Other operating expenses	**6,571**	**9,366**

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12.8. Financial income

	Year ended 31 December 2019	Year ended 31 December 2018
Revenue from bank interest	5,452	6,012
Surplus of positive over negative foreign exchange differences	10,271	-
Valuation of financial instruments	138	101
Other	87	46
Financial income	**15,948**	**6,159**

12.9. Financial expenses

	Year ended 31 December 2019	Year ended 31 December 2018
Interest, commission on bonds and loans (uncapitalised portion)	31,677	33,759
Interest on lease	1,788	-
Cost of discounting acquisition of subsidiary	1,404	2,759
Surplus of negative over positive foreign exchange differences	-	19,210
Valuation of financial instruments	2	-
Tax expense on share capital increases in subsidiaries	10	36
Other	2,703	3,009
Financial expenses	**37,584**	**58,773**

	Year ended 31 December 2019	Year ended 31 December 2018
Interest, commission on bonds and loans capitalised in Investment Property	2,197	5,608
Interest, commission on bonds and loans capitalised in Inventory	12,851	9,019
Interest, commission on bonds and loans disclosed in the statement of comprehensive income	31,677	33,759
Total interest, commission on bonds and loans	**46,725**	**48,386**

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13. Income Tax

13.1. Tax Expense

The main elements of tax expense for the year ended 31 December 2019 and the year ended 31 December 2018 include the following:

	Year ended 31 December 2019	Year ended 31 December 2018
Disclosed in Profit or Loss		
Current income tax		
Current income tax expense	(66,590)	(34,783)
Adjustments of current income tax from previous years	(55)	(641)
Deferred Income Tax		
Associated with temporary differences and their reversal and tax losses	32,981	(5,929)
Tax expense shown in the consolidated profit or loss	**(33,664)**	**(41,353)**
Disclosed in Other Comprehensive Income		
Tax on net profit/(loss) on account of changes in the effective portion of cash flow hedges	715	787
Tax benefit/(tax expense) disclosed in other comprehensive income	**715**	**787**

13.2. Reconciliation of Effective Tax Rate

The reconciliation of income tax on the gross financial result before tax according to the statutory tax rate, with income tax calculated according to the Group's effective tax rate for the year ended 31 December 2019 and 31 December 2018 is as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Gross profit /(loss) before tax on continued operations	151,046	201,733
Profit /(loss) before tax on discontinued operations	-	-
Gross profit/(loss) before tax	**151,046**	**201,733**
Tax at the statutory tax rate applicable in Poland: 19% (2018: 19%)	**28,699**	**38,329**
Non-tax-deductible costs	1,374	1,975
Undisclosed/adjusted tax losses	370	880
Undisclosed/adjusted temporary differences (other than tax losses) in relation to which no deferred tax was created	1,624	(1,145)
Differences in tax value and balance-sheet value of inventories	-	(4)
Settlement of discount of share acquisition price and deferred payment interest	469	930
Previous years' tax adjustments	7	(2,173)
Other	1,121	2,561
Tax at the effective tax rate of 22.3% (2018: 20.5 %)	**33,664**	**41,353**

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13.3. Deferred Income Tax

Deferred income tax arises from the following items:

	Statement of financial position			Deferred income tax expense for the period ended	
	31 December 2019	31 December 2018	01 January 2018	31 December 2019	31 December 2018
Deferred tax liabilities					
Accrued interest and discounts on borrowings, bonds, notes and deposits	(6,852)	(7,684)	(8,437)	832	753
Valuation of investment property	(29,502)	(68,033)	(55,871)	38,531	(12,162)
Difference in the value of tangible assets (tax and balance-sheet depreciation)	(57,587)	(58,173)	(52,046)	586	(6,127)
Difference in the value of other assets (tax value and book value)	5,936	-	(183)	5,936	183
Other	(464)	(1,038)	(612)	574	(426)
Gross deferred tax liabilities	**(88,469)**	**(134,928)**	**(117,149)**		
Deferred tax assets					
Provisions and prepayments and accrued income	5,338	2,928	2,860	2,410	68
Accrued interest and discounts on borrowings, bonds and notes	4,757	6,081	6,190	(1,324)	(109)
Foreign exchange differences	2,567	4,859	1,540	(2,292)	3,319
Difference in the value of other assets (tax value and book value)	-	9,780	-	(9,780)	9,780
Losses potentially deductible from future taxable income	3,358	5,851	7,059	(2,493)	(1,208)
Other	2,439	1,723	936	716	787
Gross deferred tax assets	**18,459**	**31,222**	**18,585**		
Deferred tax expense				**33,696**	**(5,142)**
Net deferred tax asset	**35,408**	**11,175**	**9,596**		
Net deferred tax liabilities	**(105,418)**	**(114,881)**	**(108,160)**		

Considering the specificity of the conducted activity, which involves the achievement of taxable revenue at a deferred time, the Group activates incurred tax losses until taxable income is achieved, taking into account the tax regulations concerning the possibility of settling such losses. The amount of an asset resulting from tax losses disclosed in deferred tax is presented in the table above.

As at 31 December 2019, the Group carried out an analysis of the recoverability of a created and potential deferred tax asset and did not create a deferred tax asset on account, among other things, of tax losses in companies in the amount of PLN 948,000 (and accordingly PLN 834,000 as at 31 December 2018), which can be used within the maximum period of up to five years from the end of the reporting period, in which they occurred. In addition, after having examined the development project completion dates and finance plans pertaining to respective plots of land, the Group did not create a deferred tax asset in the amount of PLN 16,382,000 with regard to temporary differences between the balance-sheet and tax values of respective assets and liabilities items (PLN 15,011,000 as at 31 December 2018 respectively).

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14. Profit/(Loss) per Share

Data on profit and shares used to calculate the basic and diluted profit per share are presented below:

	Year ended 31 December 2019	Year ended 31 December 2018
Average weighted number of ordinary shares used to calculate basic profit per share	447,558,311	447,558,311
Average weighted number of ordinary shares used to calculate diluted profit per share	447,558,311	447,558,311
Net profit/(loss) attributable to:		
Equity holders of the parent	117,382	160,380
Minority interest	-	-
	117,382	**160,380**
Net profit/(loss) per share attributable to equity holders of the parent		
Net profit/(loss) per share attributable to equity holders of the parent in PLN (basic)	0.26	0.36
Net profit/(loss) per share attributable to equity holders of the parent (diluted) (PLN)	0.26	0.36

15. Intangible assets

	31 December 2019	31 December 2018
Net value as at 1 January	**382**	**452**
Increase - acquisition	117	195
Decrease - sale, liquidation	-	(37)
Depreciation charge for the financial year	(165)	(228)
Impairment loss	-	-
Net value as at 31 December	**334**	**382**
As at 1 January		
Gross value	2,941	2,783
Depreciation and impairment loss	(2,559)	(2,331)
Net value	**382**	**452**
As at 31 December		
Gross value	3,058	2,941
Depreciation and impairment loss	(2,724)	(2,559)
Net value	**334**	**382**

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16. Property, plant and equipment

	31 December 2019	31 December 2018
Company's own fixed assets	5,527	5,632
Right-of-use assets	370	-
Total fixed assets	**5,897**	**5,632**

Year ended 31 December 2019	Land and buildings	Means of transport	Plant and equipment	Tangible assets under construction	Total
Net value as at 01 January 2019	**1,737**	**-**	**3,858**	**37**	**5,632**
Increase - acquisition	-	-	-	1,337	1,337
Increase – lease *	-	695	-	-	695
Increase – from tangible assets under construction	620	-	705	(1,325)	-
Increase – reclassification of inventories	(8)	-	8	-	-
Decrease - sale, liquidation	(216)	-	(282)	-	(498)
Depreciation charge for the financial year	(532)	(326)	(411)	-	(1,269)
Impairment loss	-	-	-	-	-
Net value as at 31 December 2019	**1,601**	**369**	**3,878**	**49**	**5,897**
As at 01 January 2019					
Gross value	2,963	848	6,921	37	10,769
Depreciation and impairment loss	(1,226)	(848)	(3,063)	-	(5,137)
Net value	**1,737**	**-**	**3,858**	**37**	**5,632**
As at 31 December 2019					
Gross value	3,196	1,355	7,101	49	11,701
Depreciation and impairment loss	(1,595)	(986)	(3,223)	-	(5,804)
Net value	**1,601**	**369**	**3,878**	**49**	**5,897**

* – Application of IFRS 16 "Lease"

Year ended 31 December 2018	Land and buildings	Means of transport	Plant and equipment	Tangible assets under construction	Total
Net value as at 01 January 2018	**1,806**	**17**	**3,908**	**18**	**5,749**
Increase - acquisition	-	-	-	536	536
Increase – from tangible assets under construction	107	-	410	(517)	-
Increase – reclassification of inventories	306	-	-	-	306
Decrease - sale, liquidation	-	-	(30)	-	(30)
Depreciation charge for the financial year	(482)	(17)	(430)	-	(929)
Impairment loss	-	-	-	-	-
Net value as at 31 December 2018	**1,737**	**-**	**3,858**	**37**	**5,632**
As at 01 January 2018					
Gross value	2,550	938	7,037	18	10,543
Depreciation and impairment loss	(744)	(921)	(3,129)	-	(4,794)
Net value	**1,806**	**17**	**3,908**	**18**	**5,749**

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As at 31 December 2018					
Gross value	2,963	848	6,921	37	10,769
Depreciation and impairment loss	(1,226)	(848)	(3,063)	-	(5,137)
Net value	**1,737**	**-**	**3,858**	**37**	**5,632**

As at 31 December 2019 and 31 December 2018, no item of property, plant and equipment was used as collateral, was subject to encumbrance or was mortgaged.

As at 31 December 2019, the Group was a party to lease contracts for 33 vehicles which were qualified as financial lease.

17. Non-Current Receivables

Under Non-current receivables the Group discloses the amounts securing the servicing of its debts, required under long-term loan agreements:

- As at 31 December 2019:
  - Security deposit of EUR 500,000 (PLN 2,129,000) in Arkady Wrocławskie S.A.;
  - Amount withheld on a debt servicing account in an amount of PLN 5,570,000 in Sky Tower S.A.;
  - Security deposit for IRS servicing in an amount of PLN 1,000 in Warszawa Przyokopowa Sp. z o.o.
- As at 31 December 2018:
  - Security deposit of EUR 500,000 (PLN 2,150,000) in Arkady Wrocławskie S.A.;
  - Amount withheld on a debt servicing account in an amount of PLN 5,110,000 in Sky Tower S.A.;
  - Amount withheld on a debt servicing account in an amount of PLN 5,489,000 in LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k.;

The sums stated above will be released by the bank upon loan repayment.

18. Land Classified As Fixed Assets

As at 31 December 2019, this position includes the land of PLN 86,603,000 (as at 31 December 2018 of PLN 86,400,000), which is intended for development projects during a period of over 2 years. The write-down as at 31 December 2019 and 31 December 2018 did not change and was PLN 3,263,000.

In the year ended 31 December 2019, in view of the entry into force on 30 April 2016 of the provisions amending the Act of 11 April 2003 on the shaping of the agricultural system (Journal of Laws of 2012, item 803, of 2016, item 585, 1159) and the introduced restrictions on acquisition of agricultural property, an analysis of impact of the provisions of this Act on the restrictions on the possibility of implementation of investment opportunities on the above-mentioned land was made (see Note 6).

Due to the acquisition of land by the Group with a view to implementing a development investment and allocation in the Study of land use conditions and directions of Wisznia Mała municipality of this property to residential areas, as at 31 December 2019 the Group discloses the property in the item Land qualified as non-current assets for development during a period of over 2 years, in the valuation by an independent valuer drawn up before the date of entry into force of the above-mentioned act, since despite the restrictions introduced by the Act (which in practice prevent the disposal of this property), there were no other considerations that may affect the current measurement and there is still a possibility to use this land in a manner consistent with the intention of the Group and the Group does not intend to dispose of this property.

(PLN '000)

19. Investment Real Property and Non-Current Assets Classified as Held for Sale

19.1. Investment property

As at 31 December 2019, the Group's investment property includes:

- retail and office centres: Arkady Wrocławskie and Sky Tower in Wrocław,
- office buildings: Wola Retro in Warsaw

31 December 2019	Value EUR	Value PLN	Value adjustment for right of perpetual usufruct to land acc. to IFRS 16	TOTAL
Investment property already constructed				
Arkady Wrocławskie	54,000	229,959	11,835	241,794
Sky Tower	120,970	515,151	-	515,151
Wola Retro	71,020	302,439	3,309	305,748
Investment property in preparation				-
Wrocław, Kolejowa	n/a	29,098	4,888	33,986
				1,096,679

31 December 2018	Value EUR	Value PLN	Value adjustment for right of perpetual usufruct to land acc. to IFRS 16	TOTAL
Investment property already constructed				
Arkady Wrocławskie	69,340	298,162	-	298,162
Wola Center	102,300	439,890	-	439,890
Sky Tower	121,400	522,020	-	522,020
Silesia Star	54,375	233,813	-	233,813
Retro Office House	58,800	252,840	-	252,840
Investment property under construction				
Wola Retro	42,500	182,750	-	182,750
				1,929,475

As at 31 December 2019, the fair values of investment properties: Arkady Wrocławskie and Sky Tower were established on the basis of valuation made by professional real estate valuers.

As at 31 December 2019, the fair value measurement of Wola Retro in Warsaw was made on the basis of an appraisal made by a professional real estate valuer and included expenditures incurred, increasing thus the property value as at the valuation date, compared to the value as at the balance-sheet date.

Market values of the property in question have been estimated in the income approach, using the investment method and the judgement at the Level Three, as defined in IFRS 13. Input data considered for the valuation included, among other things, investment plans, information relating to planned development including plans, descriptions and budgets, as well as environmental surveys. The income approach and the investment method are based on the assumption that the value of a property depends on the rental income that can be obtained from the property and the capitalisation rate. Income from the property is due to lease agreements and in the case of free surface with the use of market rental rates. The rate of return, known as capitalisation rate, is determined on the basis of the analysis of similar transactions on the market in a given financial year.

Valuation is expressed in the currency of the invoiced rents, i.e. in EUR and converted into PLN at the average NBP exchange rate at the date of the end of the accounting period.

(PLN '000)

The reconciliation of changes to the balance-sheet values of investment property in the period ended 31 December 2019 and the year 31 December 2018 is presented in the table below:

	Year ended 31 December 2019	Year ended 31 December 2018
At the beginning of the reporting period	**1,929,475**	**1,804,524**
Recognition and Settlement of Right of perpetual usufruct according to IFRS 16	36,882	-
Acquisition of land for the construction of investment property	26,028	-
Capital expenditure incurred	97,862	108,877
Reclassification of non-current assets classified as held for sale 1)	(949,318)	-
Revaluation of property fair value (EUR/PLN conversion)	(2,005)	54,213
Revaluation of property fair value (*inter alia*: due to changes in the EUR valuation of property, finishing works and selling costs)	(42,245)	(38,139)
At the end of the reporting period	**1,096,679**	**1,929,475**

1) The reclassification results from the conclusion of a sales and purchase agreement for two real properties: Silesia Star in Katowice and Retro Office House in Wrocław, as well as the conclusion of a preliminary sales and purchase agreement for Wola Center in Warsaw.

The table below shows the amounts of revenues and expenses from investment properties for the year ended 31 December 2019 and 31 December 2018, other than revaluation to fair value:

	Year ended 31 December 2019	Year ended 31 December 2018
Revenue from rental	140,614	147,645
Direct operating expenses (including repair and maintenance expenses), which brought revenue from rental and related services in a given year	(46,146)	(48,414)

19.2. Non-current assets classified as held for sale

As at 31 December 2019, the Group's *Non-current assets classified as held for sale* include:

- Wola Center office building in Warsaw

31 December 2019	Value EUR	Value PLN	Value adjustment for right of perpetual usufruct to land acc. to IFRS 16	Costs of real estate sale	TOTAL
Non-current assets classified as held for sale					
Wola Center	101,900	433,941	16,773	(4,432)	446,282
					446,282

Furthermore, as at 31 December 2019, the Group recognised in *Liabilities on Account of Loans and Bonds* the valuation of transactions hedging against interest rate risk for a loan of PLN 11,714,000 taken out for the construction and financing of the "Wola Center" real property. Due to the fact that the transaction concerns a financial instrument, it cannot be considered a transaction cost and will be recognised upon the closing of the transaction, i.e. in 2020. As at 29 January 2020, an amount realised, which resulted from the closing of the transaction totalled PLN 14,845,000.

(PLN '000)

The reconciliation of changes to the balance-sheet values of *Non-current Assets Classified As Held For Sale* in the period ended 31 December 2019 and the year 31 December 2018 is presented in the table below:

	Year ended 31 December 2019	Year ended 31 December 2018
At the beginning of the reporting period	**-**	**-**
Recognition and Settlement of Right of perpetual usufruct according to IFRS 16	1,100	-
Capital expenditure incurred	(3,006)	-
Reclassification of investment real property 1)	949,318	-
Disposal of real property 2)	(482,522)	
Revaluation of property fair value (EUR/PLN conversion)	(16,051)	-
Revaluation of property fair value (*inter alia*: due to changes in the EUR valuation of property, finishing works and selling costs)	(2,557)	-
At the end of the reporting period	**446,282**	**-**

1) The reclassification results from the conclusion of a sales and purchase agreement for two real properties: Silesia Star in Katowice and Retro Office House in Wrocław, as well as the conclusion of a preliminary sales and purchase agreement for Wola Center in Warsaw.

2) Sale of Silesia Star in Katowice and Retro Office House in Wrocław

As at 31 December 2019, the fair value of investment property (presented as *Non-current assets classified as held for sale*) Wola Center corresponds to a value arising from the sales and purchase agreement for the real property, entered into on 29 January 2020 (pursuant to information published by the Issuer in current report no. 6/2019 on 29 January 2020).

19.3. Sale of Silesia Star in Katowice and Retro Office House in Wrocław

On 19 July 2019, entities controlled by the Issuer: i.e. LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. ("P20") and LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. ("P21"), acting as sellers (collectively called "the Sellers"), and entities controlled by Globalworth Poland Real Estate N.V., i.e. Ingadi spółka z ograniczoną odpowiedzialnością ("Ingadi") and Artigo spółka z ograniczoną odpowiedzialnością ("Artigo") respectively, acting as purchasers (collectively called "the Purchasers", with the Sellers and the Purchasers being hereinafter jointly referred to as "the Parties"), entered into final sales agreements ("the Final Sales Agreements") as part of a single portfolio transaction between the groups of companies ("the Transaction"), under which:

a) Right of perpetual usufruct to the parcels of land located in Katowice, at Roździeński Avenue and Uniwersytecka Street including the right of ownership to two office buildings erected on the said land together with building structures known as the "Silesia Star" buildings, and tangible and intangible assets associated with the real property in question, was disposed of by P20 to Artigo ("the Transaction 1"), and
b) Right of ownership to the parcels of land located in Wrocław, at Piłsudski and Komandorska Streets including the office building situated on the said land together with building structures known as the "Retro Office House" building, and tangible and intangible assets associated with the real property in question, disposed of by P21 to Ingadi ("the Transaction 2").

The total Transaction price amounted to EUR 113,175,000 (plus an appropriate amount of VAT and transaction costs), with the Transaction 1 price being set at EUR 54,375,000 (plus an appropriate amount of VAT and transaction costs) and the Transaction 2 price at EUR 58,800,000 (plus an appropriate amount of VAT and transaction costs).

Under the Final Agreements, the Parties have made and given representations and warranties to each other under rules which are commonly applied to this type of transactions.

Further, according to arrangements made between the Parties, the Sellers furnished the Purchasers with rent guarantees issued for a five-year period (covering, *inter alia*, not leased floor areas), secured by surety granted by the Company (as the surety of P20 and P21 acting as the Sellers and debtors). In relation to the aforesaid surety, the Company guaranteed that:

(i) obligations and liabilities arising from the Final Agreements will be discharged by P20 and P21, and
(ii) obligations and liabilities of P20 and P21 relating to finish works to be done by tenants designated in the Final Agreements will be discharged by P20 and P21, and

(iii) obligations and liabilities of P20 and P21 arising from the rent guarantee agreements contemplated in the Final Sales Agreements will be discharged by P20 and P21, and
(iv) the Company will incur debts of P20 and P21 arising from obligations and liabilities of P20 and P21 under the Final Agreements and rent guarantee agreements if the Sellers have ceased their operations, have gone into liquidation or have been dissolved, which circumstances were described in the surety arrangements.

The total Transaction price was designated for the repayment of two loans taken out under agreements concluded by P20 with a bank Powszechna Kasa Oszczędności Bank Polski S.A., with its registered office in Warsaw, for the purpose of the construction of the "Silesia Star" buildings and a loan taken out under an agreement concluded by P21 with a bank mBank Hipoteczny S.A. , with its registered office in Warsaw, for the purpose of the construction of the "Retro Office House" building.

The aforesaid properties constituted assets classified under the "Rental services" segment in the consolidated financial statements of the Develia S.A. Group.

19.4. Preliminary Sales and Purchase Agreement for Wola Center in Warsaw

On 24 September 2019, a subsidiary wholly owned by the Company: Warszawa Przyokopowa Spółka z ograniczoną odpowiedzialnością ("WP"), acting as the seller, and a company controlled by Hines European Value Fund SCSp, based in Luxembourg, i.e. Gisla Spółka z ograniczoną odpowiedzialnością, acting as the purchaser (currently: Wola Center sp. z o.o.), entered into a preliminary sales and purchase agreement (PSPA) under a transaction concluded between companies and concerning the sale of the perpetual usufruct right to parcels of land located at 33 Przyokopowa Street in Warsaw, including the right of ownership to an office building erected on the said land, known as the "Wola Center" building, along with tangible and intangible assets related to the said real property, which are owned by WP and covered by the PSPA.

Entering into a final sales and purchase agreement was conditional upon the satisfaction of, among other things, the following conditions precedent:
(i) Concurrent tax interpretations supporting a position adopted by the Parties being issued, and
(ii) All necessary approvals for the Transaction being obtained by the Parties, and
(iii) A letter – issued by the lending bank – relating to the repayment of loans taken out by WP for the construction of the building in question, and
(iv) The purchaser being given a loan decision for the partial financing of the transaction, and
(v) The seller's title to the real property designated for disposal could not be changed adversely, and
(vi) Surety being granted by the Company to the purchaser.

The total price of the transaction was agreed by the Parties at EUR 101,900,000 (plus an applicable amount of VAT and transaction costs).

Furthermore, in accordance with the arrangements between the Parties, the Company represented to the purchaser that it stood surety for the seller and debtor, giving a guarantee that:
(i) The seller would perform the obligations and discharge the liabilities of Warszawa Przyokopowa, acting as the seller, arising from agreements covering the subject-matter of the transaction, and
(ii) The Company would incur debts of WP arising from obligations and liabilities of WP under the FSPA, if the seller has ceased its operations, has gone into liquidation or has been dissolved, which circumstances were described in the surety arrangements,
(iii) The contractual penalty would be paid, should the purchaser withdraw from the agreement due to reasons attributable to the seller

On 29 January 2020, in pursuance of the preliminary agreement of 24 September 2019, an Issuer's subsidiary – Warszawa Przyokopowa sp. z o.o. entered into a final sales and purchase agreement with an entity which was not related to the Issuer, concerning the sale of the perpetual usufruct right to parcels of land located at 33 Przyokopowa Street in Warsaw, including the right of ownership to an office building erected on the said land, known as the "Wola Center" building, along with tangible and intangible assets related to the said real property for a price of EUR 101,900,000 (plus an applicable rate of VAT and transaction costs). The transaction price received was designated for the full repayment of a bank loan of EUR 45,246,208.46, taken out under an agreement concluded by Company with BNP Paribas Bank Polska S.A., with its registered office in Warsaw, for the purpose of the construction of the "Wola Center" building. The entire security provided in connection with the loan agreement and agreements hedging against foreign exchange risk and interest rate risk (hedging agreements) expired upon the said repayment.

(PLN '000)

The aforesaid properties constitute assets classified under the "Rental services" segment in the consolidated financial statements of the Develia S.A. Group.

20. Inventory

	31 December 2019	31 December 2018
Advances on purchase of land	-	4,093
Work in progress	1,050,545	778,737
Finished products	105,395	326,091
Value adjustment for right of perpetual usufruct to land according to IFRS 16	31,022	-
Write-downs of Inventories	(124,934)	(129,838)
Total inventories	**1,062,028**	**979,083**

As at 31 December 2019, the borrowing costs amounting to PLN 47,767,000 (as at 31 December 2018 they were PLN 47,306,000) were capitalised in the inventory.
In the year ended 31 December 2019, the Group recognised at *Cost of sales* the cost of residential and retail premises sold, which were constructed as part of its development activity (and which had been disclosed at *Inventory* before), in an amount of PLN 453,006,000 (compared to PLN 447,744,000 in the year ended 31 December 2018).
At the end of each reporting period, the Management Board verifies if there is any evidence pointing to the loss of value of its property development projects under implementation on the basis of sales reports, market research and other available evidence. Should the risk of the loss of value occur, the value of such projects is estimated employing the DCF method, which is used to establish the write-down of inventories. The DCF method is based on discounted cash flows generated within the approved investment schedules and proceeds from the sale of premises, allowing for the sale price of 1 square metre of usable floor space in accordance with the current market situation. The discount rate takes account of the weighted average cost of external and own capital (WACC).
The write-downs of inventories are estimated as at 31 December 2019 and may be subject to change depending on the fluctuation of market prices of land, selling prices of flats, construction costs, project completion schedules and discount rate calculations in the future. The actual results may vary from these estimates, which were calculated on the grounds of the data available as at the reporting date. It is also related to the uncertainty regarding the proper estimation of the market conditions in the following years. Consequently, valuation allowances may change in the following financial periods.

Changes in the write-downs of inventories were as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
At the beginning of the reporting period	**129,838**	**132,529**
Increase	394	1,327
Used	(5,298)	(4,018)
Decrease	-	-
At the end of the reporting period	**124,934**	**129,838**

As at 31 December 2019 and as at 31 December 2018, the items of inventories used as collateral are described in Note 35.3.

(PLN '000)

21. Trade and Other Receivables

	31 December 2019	31 December 2018
Trade receivables	13,877	17,027
State budget receivables (without income tax)	86,965	35,336
Receivables arising from funds blocked in deposit accounts and designated for real estate acquisition	21,525	-
Other receivables from third parties	989	404
Total receivables (net)	**123,356**	**52,767**
Adjustment taking account of deferred income (*)	(1,595)	(1,609)
Valuation allowance for receivables	(10,459)	(9,419)
Gross receivables	**135,410**	**63,795**

(*) As at 31 December 2019 and 31 December 2018, the Group recognised receivables on account of accrued penalties and damages in the amount of PLN 1,595,000 and PLN 1,609,000 respectively, net of deferred income resulting therefrom.

Changes in the write-down of receivables were as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
At the beginning of the period	**9,419**	**8,005**
Increase	4,735	3,252
Used	(3,150)	(1,713)
Decrease	(545)	(125)
At the and of the period	**10,459**	**9,419**

The table below presents the analysis of trade receivables, which as at 31 December 2019 and 31 December 2018 were past due, but were not regarded as uncollectible.

	Total	Not past due	Past due, but collectible			
			< 30 days	30 – 90 days	90 – 180 days	> 180 days
31 December 2019	**13,877**	7,131	3,615	2,163	825	143
31 December 2018	**17,027**	9,294	4,009	2,817	907	-

22. Current financial assets

	31 December 2019	31 December 2018
Financial instruments - forward transactions	239	102
Cash in open trust accounts	25,576	20,188
	25,815	**20,290**

(PLN '000)

23. Cash and other cash equivalents

	31 December 2019	31 December 2018
Cash on hand and in a bank account	206,540	58,263
Bank deposits	134,350	409,435
Total cash and cash equivalents, including:	**340,890**	**467,698**
- restricted cash	20	2,419

Cash in a bank account bears interest according to floating interest rates. Short-term deposits are made for different periods, from one day to several months, depending on the Group's current demand for cash, and bear interest according to interest rates negotiated for such periods. “Overnight” deposits are presented under “Cash on hand and in bank account”.

Restricted cash refers to funds held in a bank technical account, which can be utilised, with the Bank's consent, to finance or refinance expenditures on fit-out works necessary to adapt unfinished rooms so as to meet the needs of a specific lessee and soft costs relating to commercialisation, the preparation and completion of finish works that have to be carried out in unfinished areas.

24. Prepayments

	31 December 2019	31 December 2018
Commissions for sales agency	725	77
Settlements on account of lease agreements covering commercial areas	343	582
Other	21	-
Non-current	**1,089**	**659**
Commissions for sales agency	853	3,028
Insurance	409	364
Settlements on account of lease agreements covering commercial areas	-	-
Other	1,287	1,936
Current	**2,549**	**5,328**

25. Equity

25.1. Share capital

Share capital	31 December 2019	31 December 2018
Series A ordinary shares with a par value of PLN 1.00 per share	500,000	500,000
Series B ordinary shares with a par value of PLN 1.00 per share	113,700,000	113,700,000
Series C ordinary shares with a par value of PLN 1.00 per share	1,452,546	1,452,546
Series D ordinary shares with a par value of PLN 1.00 per share	1,472,018	1,472,018
Series E ordinary shares with a par value of PLN 1.00 per share	32,000,000	32,000,000
Series F ordinary shares with a par value of PLN 1.00 per share	102,000,000	102,000,000
Series G ordinary shares with a par value of PLN 1.00 per share	80,000,000	80,000,000
Series H ordinary shares with a par value of PLN 1.00 per share	58,433,747	58,433,747
Series I ordinary shares with a par value PLN 1.00 per share	1,000,000	1,000,000
Series J ordinary shares with a par value PLN 1.00 per share	57,000,000	57,000,000
	447,558,311	**447,558,311**

Ordinary shares of Develia S.A. issued, registered and fully paid	Number	Value PLN'000
As at 31 December 2018	447,558,311	447,558
As at 31 December 2019	447,558,311	447,558

Par value of shares

All issued shares have a par value of PLN 1.00 and have been fully paid.

Shareholders' rights

No shares of any series are preferred as to the dividend or return on capital. One share corresponds to one vote.

Significant shareholders

As at the date hereof, shareholders possessing, directly or indirectly through subsidiary undertakings, at least 5% of the total vote at the General Meeting of the Issuer:

Shareholder	Number of shares	Number of votes	Share in Share Capital (%)	Share (%) in total vote at general meeting
Nationale-Nederlanden Otwarty Fundusz Emerytalny	81,545,000	81,545,000	18.22 %	18.22 %
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	77,195,000	77,195,000	17.25 %	17.25 %
AVIVA Otwarty Fundusz Emerytalny AVIVA Santander	54,707,246	54,707,246	12.23%	12.23%
MetLife Otwarty Fundusz Emerytalny	34,528,295	34,528,295	7.71%	7.71%
Aegon Otwarty Fundusz Emerytalny	30,546,601	30,546,601	6.83 %	6.83 %

As at 31 December 2018, the shareholders possessing, directly or indirectly through subsidiary undertakings, at least 5% of the total vote at the General Meeting of the Issuer:

(PLN '000)

Shareholder	Number of shares	Number of votes	Share in Share Capital (%)	Share (%) in total vote at general meeting
Nationale-Nederlanden Otwarty Fundusz Emerytalny	81,530,228	81,530,228	18.22 %	18.22 %
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	77,195,648	77,195,648	17.25 %	17.25 %
AVIVA Otwarty Fundusz Emerytalny AVIVA Santander	52,121,000	52,121,000	11.65%	11.65%
MetLife Otwarty Fundusz Emerytalny	34,528,295	34,528,295	7.71%	7.71%
Aegon Otwarty Fundusz Emerytalny	28,546,601	28,546,601	6.38 %	6.38 %

25.2. Other capital

	31 December 2018	Transfer of profit for 2018	Dividend payment in 2019	Other comprehensive income for 2019	31 December 2019
Surplus of the issue value over the par value less issue costs	328,015	-	-	-	328,015
Capital from the acquisition of subsidiaries	61,742	-	-	-	61,742
Retained earnings	503,407	160,380	(120,841)	-	542,946
Supplementary capital, reserve funds and retained earnings	**893,164**	**160,380**	**(120,841)**	**-**	**932,703**
Valuation of share-based benefits	3,108	-	-	-	3,108
Revaluation of hedging instruments - hedge accounting	(6,411)	-	-	(2,229)	(8,640)
Other funds	**(3,303)**	**-**	**-**	**(2,229)**	**(5,532)**
Total other capital	**889,861**	**160,380**	**(120,841)**	**(2,229)**	**927,171**

(PLN '000)

26. Liabilities on Account of Loans and Bonds

Interest-bearing Bank Loans and Bonds

Non-current	Entity	*Interest rate*	*Repayment date*	31 December 2019	31 December 2018
Bank loan in EUR (a)	Arkady Wrocławskie S.A.	Euribor 3M+margin	31 Dec 2022	59,421	85,639
Bank loan in EUR (b)	Warszawa Przyokopowa Sp. z o.o.	Euribor 1M+margin	30 Jun 2026	184,071	196,127
Bank loan in EUR (c)	Sky Tower S.A.	Euribor 3M+margin	20 Dec 2022	179,867	191,818
Bank loan in EUR (d)	LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. (Silesia Star)	Euribor 3M+margin	19 Jul 2019	-	39,715
Bank loan in EUR (e)	LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. (Silesia Star)	Euribor 3M+margin	19 Jul 2019	-	51,273
Bank loan in EUR (f)	LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. (Retro Office House)	Euribor 3M+margin	19 Jul 2019	-	84,937
Bank loan in PLN (g)	LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. (Retro Office House)	Wibor 1M+margin	19 Jul 2019	-	-
Bank loan in PLN (h)	LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. (Wola Retro)	Euribor 3M+margin	28 Nov 2027	103,881	35,649
Bank loan in PLN (i)	LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. (Wola Retro)	Wibor 3M+margin	28 Nov 2020	-	138
Bank loan in PLN (j)	Develia S.A.	Wibor 1M+margin	20 Dec 2019	-	-
Bond scheme (k)	Develia S.A.	Wibor 6M+margin	6 Jun 2019	-	-
Bond scheme (l)	Develia S.A.	Wibor 6M+margin	20 Mar 2020	-	64,888
Bond scheme (m)	Develia S.A.	Wibor 6M+margin	10 May 2021	84,899	84,825
Bond scheme (n)	Develia S.A.	Wibor 6M+margin	10 May 2021	14,990	14,982
Bond scheme (o)	Develia S.A.	Wibor 6M+margin	6 Oct 2021	24,978	24,965
Bond scheme (p)	Develia S.A.	Wibor 6M+margin	6 Oct 2021	14,962	14,941
Bond scheme (q)	Develia S.A.	Wibor 6M+margin	5 Jun 2022	49,770	49,676
Bond scheme (r)	Develia S.A.	Wibor 6M+margin	28 Feb 2022	44,815	44,729
Bond scheme (s)	Develia S.A.	Wibor 6M+margin	19 Oct 2020	-	33,685
Bond scheme (t)	Develia S.A.	Wibor 3M+margin	19 Oct 2022	65,561	65,404
Bond scheme (u)	Develia S.A.	Wibor 3M+margin	22 May 2023	59,519	-
				886,734	**1,083,391**

(PLN '000)

Current	Entity	*Interest rate*	*Repayment date*	31 December 2019	31 December 2018
Bank loan in EUR (a)	Arkady Wrocławskie S.A.	Euribor 3M+margin	31 Dec 2020	7,327	10,625
Bank loan in EUR (b)	Warszawa Przyokopowa Sp. z o.o.	Euribor 1M+margin	31 Dec 2020	7,317	7,115
Bank loan in EUR (c)	Sky Tower S.A.	Euribor 3M+margin	31 Dec 2020	10,124	9,787
Bank loan in EUR (d)	LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. (Silesia Star)	Euribor 3M+margin	19 Jul 2019	-	2,337
Bank loan in EUR (e)	LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. (Silesia Star)	Euribor 3M+margin	19 Jul 2019	-	2,270
Bank loan in EUR (f)	LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. (Retro Office House)	Euribor 3M+margin	19 Jul 2019	-	1,865
Bank loan in PLN (g)	LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. (Retro Office House)	Wibor 1M+margin	19 Jul 2019	-	168
Bank loan in PLN (h)	LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. (Wola Retro)	Euribor 3M+margin	31 Dec 2020	310	-
Bank loan in PLN (i)	LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. (Wola Retro)	Wibor 3M+margin	31 Dec 2020	-	-
Bank loan in PLN (j)	Develia S.A.	Wibor 1M+margin	20 Dec 2019	-	33,197
Bond scheme (k)	Develia S.A.	Wibor 6M+margin	6 Jun 2019	-	50,132
Bond scheme (l)	Develia S.A.	Wibor 6M+margin	20 Mar 2020	65,886	930
Bond scheme (m)	Develia S.A.	Wibor 6M+margin	10 May 2020	618	619
Bond scheme (n)	Develia S.A.	Wibor 6M+margin	10 May 2020	109	109
Bond scheme (o)	Develia S.A.	Wibor 6M+margin	6 Apr 2020	309	310
Bond scheme (p)	Develia S.A.	Wibor 6M+margin	6 Apr 2020	184	184
Bond scheme (q)	Develia S.A.	Wibor 6M+margin	05 Jun 2020	166	171
Bond scheme (r)	Develia S.A.	Wibor 6M+margin	28 Feb 2020	757	760
Bond scheme (s)	Develia S.A.	Wibor 6M+margin	20 Apr 2020 / 19 Oct 2020	34,157	308
Bond scheme (t)	Develia S.A.	Wibor 3M+margin	20 Jan 2020	693	724
Bond scheme (u)	Develia S.A.	Wibor 3M+margin	24 Feb 2020	342	-
				128,299	**121,611**

(a) Loan at Arkady Wrocławskie taken out in EUR on 28 February 2008 with the consortium of banks: ING Bank Śląski S.A. and Santander Bank Polska S.A. On 29 December 2017, the Company and Santander Bank Polska S.A. executed an amendment to the consortium loan agreement of 28 February 2008 to extend the period of financing granted under the loan agreement. The amount of loan granted under the said amendment is EUR 25,000,000, and the loan repayment date has been fixed for 31 December 2022. Prior to entering into the above amendment, i.e. on 27 December 2017, an amendment to the loan agreement was executed between Arkady Wrocławskie S.A. and ING Bank Śląski S.A. and Santander Bank Polska S.A., as the existing consortium of lending banks, under which ING Bank Śląski S.A. assigned to Santander Bank Polska S.A. its receivables against the Company arising from the loan granted within the framework of the bank consortium, and Santander Bank Polska S.A. accepted the said assignment becoming thus the sole lender. At this moment, all the entitlements, rights and claims (including the entire collateral), and all the risks and obligations relating to the loan were assigned to Santander Bank Polska S.A.. On 21 March 2019, Arkady Wrocławskie S.A. paid off a portion of a bank loan in an amount of EUR 5,000,000 to Santander Bank Polska S.A., which was granted under the consortium loan agreement of 28/02/2008, with further amendments. On 28 March 2019, Arkady Wrocławskie S.A. and Santander Bank Polska S.A. executed an amendment to the consortium loan agreement of 28/02/2008 to extend the period of financing granted under the loan agreement..

(b) The loan at Warszawa Przyokopowa Sp. z o.o. was taken out pursuant to the agreement of 15 July 2011 with BNP Paribas Polska S.A. in the amount of up to EUR 49,000,000 for the partial financing of the construction of Wola Center office building development in Warsaw. On 26 June 2014 the company concluded an amendment to the Loan Agreement pursuant to which the maximum amount was increased to EUR 55,000,000. On 20 September 2018, the company concluded an amendment to the Loan Agreement, pursuant to which the amount of investment loan was increased and the loan term extended. The amount of investment loan determined in the aforesaid Amendment may not be higher than EUR 54,335,241.03, of which two new loan tranches made available under and provided for in the Amendment cannot be higher than EUR 7,000,000 and EUR 6,000,000 respectively.

(c) The loan at Sky Tower S.A. taken out in EUR pursuant to the agreement of 29 December 2012 concluded with the consortium of banks Getin Noble Bank S.A. and Alior Bank S.A., including further amendments thereto.

(d) The loan at LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. was taken out under an agreement of 14 May 2014 with PKO BP S.A. in EUR up to the amount being an equivalent in EUR of PLN 62,000,000 in order to finance, partially, the construction of an office and retail development with a car park under the name Silesia Star (stage 1) in Katowice at Roździeńskiego street. On 19 July 2019, the loan was paid off in full.

(e) The loan at LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. taken out under the agreement of 26 February 2016 with PKO BP S.A. The loan amounts to the equivalent in EUR of PLN 63,500,000 and is designated for the partial financing of the 2 stage of the Silesia Star Project. On 19 July 2019, the loan was paid off in full.

(f) The loan at LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. taken out pursuant to the agreement of 30 November 2016 with mBank Hipoteczny S.A. up to the amount of EUR 23,700,000 for the partial financing of Retro Office House. On 19 July 2019, the loan was paid off in full.

(g) The revolving loan at LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. taken out under the agreement of 26 April 2017 with mBank S.A. up to the amount of PLN 6,000,000 for financing and refinancing the payment of VAT in respect of costs related to Retro Office House. On 19 July 2019, the loan was paid off in full.

(h) The loan at LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. taken out pursuant to the agreement of 20 December 2017 with the consortium of mBank Hipoteczny S.A. and mBank S.A. up to the amount of EUR 34,187,000 for the partial financing of Wola Retro in Warsaw.

(i) The revolving loan at LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. taken out under the agreement of 20 December 2017 with the consortium of mBank Hipoteczny S.A. and mBank S.A. up to the amount of PLN 7,000,000 for financing and refinancing the payment of VAT in respect of costs related to Wola Retro in Warsaw.

(j) The loan at Develia S.A. taken out in PLN with Getin Noble Bank S.A. under the loan concluded on 18 June 2014, with first draw-down being made on 3 September 2015. On 21 December 2018, an amendment was signed to extend the loan repayment date until 20 December 2019. Further, on 19 March 2019, the loan agreement was amended to release a portion of mortgaged real property previously used as security for the loan – to give, as part of the next stage of a project called "Osiedle na Woli in Warsaw", promise that unencumbered separate ownership of respective premises would pass to purchasers. On 1 July 2019, an amendment to the loan agreement was executed to change a portion of security for the repayment of loan. On 20 December 2019, the loan was paid off in full.

(k) Coupon bonds – the issue of 6 June 2014, including 50,000 five-year unsecured coupon bonds, having a par value of PLN 1,000 each and a total nominal value of PLN 50,000,000 under a Bond Issue Agreement with the redemption date set at 6 June 2019 concluded with the banks Pekao S.A. having its registered office in Warsaw and mBank S.A. having its registered office in Warsaw.

(l) Coupon bonds – the issue of 20 March 2015, including 65,000 five-year unsecured coupon bonds, having a par value of PLN 1,000 each and a total nominal value of PLN 65,000,000 under a Bond Issue Agreement with the redemption date set at 20 March 2020 concluded with the banks Pekao S.A. having its registered office in Warsaw and mBank S.A. having its registered office in Warsaw.

(m) Coupon bonds – the issue of 10 May 2016, including 85,000 five-year unsecured coupon bonds, having a par value of PLN 1,000 each and a total nominal value of PLN 85,000,000 under a Bond Issue Agreement with the redemption date set at 10 May 2021 concluded with the banks Pekao S.A. having its registered office in Warsaw and mBank S.A. having its registered office in Warsaw. On 23 December 2016, the assimilation of bonds of these series with bonds issued on 19 August 2016 took place on the "Catalyst" bond market.

(n) Coupon bonds – the issue of 19 August 2016, including 15,000 five-year unsecured coupon bonds, having a par value of PLN 1,000 each and a total nominal value of PLN 15,000,000 under a Bond Issue Agreement with the redemption date set at 10 May 2021 concluded with the banks Pekao S.A. having its registered office in Warsaw and mBank S.A. having its registered office in Warsaw. On 23 December 2016, the assimilation of bonds of these series with bonds issued on 10 May 2016 took place on the "Catalyst" bond market.

(o) Coupon bonds – the issue of 6 October 2016, including 25,000 five-year unsecured coupon bonds, having a par value of PLN 1,000 each and a total nominal value of PLN 25,000,000 under a Bond Issue Agreement with the redemption date set at 6 October 2021 concluded with the banks Pekao S.A. having its registered office in Warsaw and mBank S.A. having its registered office in Warsaw. On 25 April 2017, the assimilation of bonds of these series with bonds issued on 27 October 2016 took place on the "Catalyst" bond market.

(p) Coupon bonds – the issue of 27 October 2016, including 15,000 five-year unsecured coupon bonds, having a par value of PLN 1,000 each and a total nominal value of PLN 15,000,000 each under a Bond Issue Agreement with the redemption date set at 6 October 2021 concluded with the banks Pekao S.A. having its registered office in Warsaw and mBank S.A. having its registered office in Warsaw. On 25 April 2017, the assimilation of bonds of these series with bonds issued on 6 October 2016 took place on the "Catalyst" bond market.

(q) Coupon bonds – the issue of 5 December 2017, including 50,000 five-year unsecured coupon bonds, having a par value of PLN 1,000 each and a total nominal value of PLN 50,000,000 under a Bond Issue Agreement with the redemption date set at 5 June 2022 concluded with the banks Pekao S.A. having its registered office in Warsaw and mBank S.A. having its registered office in Warsaw.

(r) Coupon bonds – the issue of 28 February 2018, including 45,000 four-year unsecured coupon bonds, having a par value of PLN 1,000 each and a total nominal value of PLN 45,000,000 under a Bond Issue Agreement with the redemption date set at 28 February 2022 concluded with the banks Pekao S.A. having its registered office in Warsaw and mBank S.A. having its registered office in Warsaw.

(s) Coupon bonds – the issue of 19 October 2018, including 34,000 two-year unsecured coupon bonds, having a par value of PLN 1,000 each and a total nominal value of PLN 34,000,000 under a Bond Issue Agreement with the redemption date set at 19 October 2020 concluded with mBank S.A. having its registered office in Warsaw.

(t) Coupon bonds – the issue of 19 October 2018, including 66,000 four-year unsecured coupon bonds, having a par value of PLN 1,000 each and a total nominal value of PLN 66,000,000 under a Bond Issue Agreement with the redemption date set at 19 October 2022 concluded with mBank S.A. having its registered office in Warsaw.

(u) Coupon bonds – the issue of 22 May 2019, including 60,000 four-year unsecured coupon bonds, having a par value of PLN 1,000 each and a total nominal value of PLN 60,000,000 under a Bond Issue Agreement with the redemption date set at 22 May 2023 concluded with mBank S.A. having its registered office in Warsaw.

The allocation of respective loans, bonds to operating segments is presented in Note 11.

(PLN '000)

The average weighted interest of loans and bonds in the year ended 31 December 2019 was 3.5%. The average weighted interest of loans and bonds in 2018 was 3.6 %.

Liabilities Arising from Valuation of Financial Instruments

As at 31 December 2019 and 31 December 2018, the fair value measurement of IRS, CAP and forward transactions hedging the risk of an interest rate increase was recognised under *Liabilities on account of loans and bonds* and totalled:

	31 December 2019	31 December 2018
Non-current	11,983	9,463
Current	428	-
Total	**12,411**	**9,463**

The valuation of hedging instruments is considered Level Two of the fair value hierarchy. In the years ended 31 December 2019 and 31 December 2018, no transfer from Level One to Level Three of the fair value hierarchy was seen.

Change in COLLAR transaction effected by Arkady Wrocławskie S.A.

On 1 April 2019, Arkady Wrocławskie, in relation to the performance of provisions contained in an Amendment to the Loan Agreement of 29 December 2017, made on 28 March 2019, reduced the amount of a Collar transaction carried out on 18 January 2018 to approx. EUR 17,100,000. The transaction term did not change.

Entering into IRS Derivative Transaction by Sky Tower S.A.

On 28 June 2019, the Company entered into an IRS transaction hedging against an increase in interest rate with regard to forward and derivative transactions arising from the performance of a loan agreement, amounting to EUR 16,013,000 for a period from 1 July 2019 to 20 December 2022.

FX Forward Transaction Conducted by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k.

Pursuant to a framework agreement of 8 February 2018, the Company made foreign exchange forward transactions in the period from 1 January 2019 to 31 December 2019, which included forward and derivative operations relating to the performance of a loan agreement, totalling PLN 36,000,000, with the time of settlement being scheduled for a period between 30 September 2019 and 31 October 2019. The aggregate nominal value of the aforesaid transactions at a base rate amounted to EUR 8,336,000. On 17 October 2019, LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. carried out a transaction to extend the settlement period of the unsettled transaction to its maturity, i.e. 31 October 2019. A new settlement date was set for the unsettled amount of PLN 16,366,000, specifically 31 March 2020. The nominal value of the aforesaid transaction at a base rate amounted to EUR 3,762,000.

Issue, Buyout of Equity Securities

On 22 May 2019, 60,000 four-year unsecured coupon bonds having a par value of PLN 1,000 each and a total nominal value of PLN 60,000,000 were issued under a Bond Issue Agreement with the redemption date set at 22 May 2023, concluded with mBank S.A. having its registered office in Warsaw.

On 6 June 2019, 50,000 five-year unsecured coupon bonds of PLN 1,000 each and a total nominal value of PLN 50,000,000 were redeemed.

Taking out and Repayment of Bank Loans and Borrowings

1. In the year ended 31 December 2019, Arkady Wrocławskie S.A. repaid, in accordance with the repayment schedule, the instalments of loan in EUR taken out with Santander Bank Polska S.A. and overpaid the principal in the total amount of PLN 24,231,000. As at 31 December 2019, the total outstanding amount after conversion into Polish Zlotys was PLN 66,748,000.

2. In the year ended 31 December 2019, Warszawa Przyokopowa Sp. z o.o. repaid, in accordance with the payment schedule, the instalments of the loan in EUR taken out with BNP Paribas Polska S.A. in the amount of PLN 10,031,000. As at 31 December 2019, the total outstanding amount after conversion into Polish Zlotys was PLN 191,388,000.

3. In the year ended 31 December 2019, Sky Tower S.A. repaid, in accordance with the payment schedule, the instalments of the loan in EUR taken out with the consortium of banks: Getin Noble Bank S.A. and Alior Bank S.A. in the amount of PLN 9,506,000. As at 31 December 2019, the total outstanding amount after conversion into Polish Zlotys was PLN 189,991,000.

4. In the year ended 31 December 2019, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 20 Sp. k. repaid loan instalments and paid off in full the loan aimed at the financing of the construction of the office development – Silesia Star (1st stage), in a total amount of PLN 41,443,000.

5. In the year ended 31 December 2019, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 20 Sp. k. repaid loan instalments and paid off in full the loan aimed at the partial financing of the 2nd stage of the Silesia Star project in a total amount of PLN 53,600,000.

6. In the year ended 31 December 2019, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 21 Sp. k., according to the loan agreement with mBank Hipoteczny S.A. aimed at the partial financing of Retro Office House in Wrocław, drew down funds in EUR amountin in total to PLN 15,096,000. On 30 May 2019, according to a loan agreement, the loan was converted and the repayment period commenced. In the year ended 31 December 2019, the Company repaid the loan instalments and paid off in full the loan in a total amount of PLN 100,959,000.

7. In the year ended 31 December 2019, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 21 Sp. k. paid off in full the revolving loan taken out with mBank S.A. and designated for financing and refinancing the payment of VAT in respect of costs arising from the Retro Office House project in the total amount of PLN 168,000,000.

8. In the year ended 31 December 2019, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 22 Sp. k., according to the loan agreement with mBank Hipoteczny S.A. in EUR aimed at the partial financing of Wola Retro in Warsaw, drew down funds in the total amount of PLN 69,808,000. As at 31 December 2019, the total outstanding amount after conversion into Polish Zlotys was PLN 104,191,000.

9. In the year ended 31 December 2019, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 22 Sp. k., according to the revolving loan agreement with mBank S.A. designated for financing and refinancing the payment of VAT in respect of costs arising from the Wola Retro project in Warsaw, repaid the net loan amount in PLN (disbursements less repayments) totalling PLN 138,000. As at 31 December 2019, there was no debt in respect of the aforesaid agreement.

10. On 30 July 2019, the Company repaid a portion of principal of PLN 700,000 in respect of the loan made by Getin Noble Bank. On 20 December 2019, the Company completely repaid the loan in the amount of PLN 32,500,000

(PLN '000)

27. Lease liabilities

On 1 January 2019, Develia S.A. Group recognised the effects of the application of IFRS "Lease". Note 8 to these financial statements describes the effects of the application of IFRS 16.

	31 December 2019	31 December 2018
Non-current	18,769	-
Current	41,512	-
Total	**60,281**	**-**

28. Liabilities on Account of Acquisition of Subsidiary

On 6 December 2013, Develia S.A. (formerly LC Corp S.A.) acquired 100% of the shares of Sky Tower S.A. from LC Corp B.V. for a price of PLN 259,000,000, to be paid by instalments until 31 December 2019, and thus became the sole shareholder of the acquired company. Due to the fact that the date of payment for the shares of Sky Tower S.A. was deferred, the liability on account thereof was disclosed in the consolidated financial statements as an discounted amount. In 2019, the Company repaid the last instalment in respect of the acquisition of the shares of Sky Tower S.A. in the amount of PLN 40,400,000. As at 31 December 2019, liabilities on account of the acquisition of shares of Sky Tower S.A. was paid off completely.

	31 December 2019	31 December 2018
Non-current	-	-
Current	-	38,996
Total	**-**	**38,996**

29. Trade Liabilities

29.1. Trade and Other Payables

	31 December 2019	31 December 2018
Trade payables	87,210	103,178
State budget liabilities (without income tax)	5,076	5,951
Liabilities on account of security deposits	33,757	32,802
Liabilities on account of dividend	-	-
Other liabilities	1,074	118
TOTAL, including:	**127,117**	**142,049**
- non-current	-	-
- current	127,117	142,049

(PLN '000)

An analysis of maturity of trade and other payables as at 31 December 2019 and 31 December 2018 is presented below:

	31 December 2019	31 December 2018
up to 1 year	127,117	142,049
between 1 year and 5 years	-	-
above 5 years	-	-
	127,117	**142,049**

Trade payables are interest-free and usually settled within 14 to 30 days.

Budget liabilities are settled at statutory dates.

Liabilities on account of security deposits are interest-free and settled at dates resulting from concluded agreements.

29.2. Liabilities due to Lease Agreements and Operating Lease

Future minimum payments on account of vehicle operating lease agreements, in which the Group is the lessee, are as follows:

	31 December 2019	31 December 2018
Non-current	-	319
Current	-	376
Total	**-**	**695**

Future minimum payments on account of land perpetual usufruct agreements (having assumed the maximum perpetual usufruct), in which the Group is the lessee, are as follows:

	31 December 2019	31 December 2018
up to 1 year	-	4,362
between 1 year and 5 years	-	14,586
above 5 years	-	42,658
TOTAL	**-**	**61,606**

The Group implemented IFRS 16 “Lease” on 1 January 2019. Pursuant to IFRS 16, liabilities presented until 31 December 2018 as operating lease have been classified as financial lease and are currently presented in the statement of financial position. Detailed information concerning the application of IFRS 16 “Lease” is provided in Note 8.

29.3. Contingent Liabilities

From the end of the last financial year there were no significant changes in contingent liabilities or contingent assets of the Group companies, except for contingent liabilities arising from real estate development, relating to contingent fees for the removal of trees, whose total amount decreased from PLN 5,721,000 as at 31 December 2018 to PLN 5,411,000 as at 31 December 2019.

In pursuance of the Sales and Purchase Agreements covering two real properties: Silesia Star in Katowice and Retro Office House in Wrocław, described in section 2.1, the Company furnished the Purchasers, Ingadi spółka z ograniczoną odpowiedzialnością (“Ingadi”) and Artigo spółka z ograniczoną odpowiedzialnością (“Artigo”), with rent guarantees issued for a five-year period (covering, inter alia, not leased floor areas), secured by suretyship provided by the Company (as the surety of LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. (“P20”) and LC Corp Invest XVII Sp. z o.o.

Projekt 21 Sp. k. ("P21"), acting as the Sellers and debtors). In relation to the aforesaid surety, the Company will guarantee that:

(i) obligations and liabilities arising from the Final Agreements will be discharged by P20 and P21, and
(ii) obligations and liabilities of P20 and P21 relating to finish works to be done by tenants designated in the Final Agreements will be discharged by P20 and P21, and
(iii) obligations and liabilities of P20 and P21 arising from the rent guarantee agreements contemplated in the Preliminary Sales Agreements will be discharged by P20 and P21, and
(iv) the Company will incur debts of P20 and P21 arising from obligations and liabilities of P20 and P21 under the Final Agreements and rent guarantee agreements if the Sellers have ceased their operations, have gone into liquidation or have been dissolved, which circumstances will be described in the surety arrangement.

In pursuance of the Preliminary Sales and Purchase Agreement covering the real property called Wola Center in Warsaw, described in Note 19, the Company has undertaken to the Purchaser, Gisla Spółka z ograniczoną odpowiedzialnością, to stand surety for the Seller, Warszawa Przyokopowa Spółka z ograniczoną odpowiedzialnością, and the debtor. Under the said commitment the Company guaranteed that:

(i) The Seller would perform the obligations and discharge the liabilities of Warszawa Przyokopowa, acting as the Seller, arising from agreements covering the subject-matter of the Transaction, and
(ii) The Company would incur debts of WP arising from obligations and liabilities of WP under the FSPA, if the Seller has ceased its operations, has gone into liquidation or has been dissolved, which circumstances were described in the surety arrangements,
(iii) The contractual penalty would be paid, should the Purchaser withdraw from the agreement due to reasons attributable to the Seller.

Apart from the contingent liabilities representing security for bank loans, described in detail in Note 36.3 and the above-described contingent fees relating to the removal of trees and arising from the real property sales and purchase agreements entered into, as at 31 December 2019, the Group Companies did not have any other significant contingent liabilities.

29.4. Investment Liabilities

As at 31 December 2019, the Group did not plan to incur any significant expenditures on property, plant and equipment and intangible assets and did not have any significant contractual obligations whose subject matter was the acquisition of property, plant and equipment and intangible assets.

In 2020, the Group plans to incur expenditures on investment projects (inventories and investment properties) in the amount of about PLN 902,000,000.

29.5. Court Proceedings

As at 31 December 2019, there are no significant proceedings before the court or arbitration or public administration authorities with regard to liabilities or receivables of Develia S.A. or its subsidiaries, the value of which would have an important bearing on the financial standing of the Group companies. The subsidiary undertakings of Develia S.A. are parties to court and public administration proceedings whose value is insignificant for their operations or financial standing. The vast majority of other cases relate to claims lodged by subsidiaries of Develia S.A. against their debtors. Provisions for legal actions are shown in Note 28.

(PLN '000)

30. Provisions

The amounts of provisions and the reconciliation presenting the changes in their position during the year are shown in the table below:

	Retirement and disability benefits and bereavement payment	*Disputes and litigation*	*Provision for disposal of investment property*	*Other*	*Total*
As at 01 January 2019	**22**	**3,046**	**-**	**14**	**3,082**
Created	-	473	10,805	37	11,315
Used	-	(245)	-	(2)	(247)
Reversed	-	-	-	-	-
As at 31 December 2019, including:	**22**	**3,274**	**10,805**	**49**	**14,150**
- non-current	22	-	5,297	-	**5,319**
- current	-	3,274	5,508	49	**8,831**

	Retirement and disability benefits and bereavement payment	*Disputes and litigation*	*Provision for disposal of investment property*	*Other*	*Total*
As at 01 January 2018	**22**	**1,785**	**-**	**14**	**1,821**
Created	-	1,261	-	-	1,261
Used	-	-	-	-	-
Reversed	-	-	-	-	-
As at 31 December 2018, including:	**22**	**3,046**	**-**	**14**	**3,082**
- non-current	22	-	-	-	**22**
- current	-	3,046	-	14	**3,060**

31. Accrued Expenses and Revenues

	31 December 2019	**31 December 2018**
Accrued expenses on account of salaries and wages	6,857	7,035
Accrued expenses on account of holidays not taken	1,074	1,052
Accrued expenses on account of additional payments for perpetual usufruct	-	-
Accrued expenses on account of the audit of financial statements	282	247
Other	2,852	2,018
Accrued expenses	**11,065**	**10,352**
Accrued rental revenues	6,512	1,162
Accrued revenues from the sale of flats	343,660	538,788
Other deferred income	75	72
Deferred income	**350,247**	**540,022**
Accruals and deferred income	**361,312**	**550,374**

In 2019, the Group's subsidiaries disclosed an amount of PLN 480,654,000 in the revenues from the sale of flats, which as at 31 December 2018 were presented as "Accrued revenue from payments made towards flats".

(PLN '000)

32. Explanations to Statement of Cash Flow

32.1. Change in Liabilities, Except for Loans and Borrowings

	Year ended 31 December 2019	Year ended 31 December 2018
Balance-sheet change in liabilities, except for loans and bonds	(53,928)	(14,015)
Investment Liabilities	15,454	1,019
Liabilities on account of acquisition of shares	40,400	40,400
Change in liabilities	**1,926**	**27,404**

32.2. Other Adjustments

	Year ended 31 December 2019	Year ended 31 December 2018
Valuation of forward instruments	(138)	122
Reclassification of open trust accounts	(5,388)	(3,496)
Application of IFRS 16 “Lease”	39,826	-
Other	715	(674)
Other adjustments	**35,015**	**(4,048)**

33. Transactions with Related Undertakings

The following table shows the total amounts of transactions concluded with related undertakings for the year ended 31 December 2019 and 31 December 2018:

31 December 2019

Related undertaking	Sales to related undertakings	Purchases from related undertakings	Receivables from related undertakings (trade and financial)	Liabilities to related undertakings (trade and financial)	Financial income (interest)	Financial expenses (interest, discounts)
Shareholders	-	-	-	-	-	-
Undertakings related through shareholders	-	-	-	-	-	-
Management and Supervisory Board						
Management Board of parent undertaking and subsidiaries	44	14,213 (*)	-	-	-	-
Supervisory Board	-	627 (*)	-	-	-	-

(*) Remuneration paid

(PLN '000)

31 December 2018

Related undertaking	Sales to related undertakings	Purchases from related undertakings	Receivables from related undertakings (trade and financial)	Liabilities to related undertakings (trade and financial)	Financial income (interest)	Financial expenses (interest, discounts)
Shareholders	-	-	-	-	-	-
Undertakings related through shareholders	-	-	-	-	-	-
Management and Supervisory Board						
Management Board of parent undertaking and subsidiaries	761	14,991 (*)	-	-	-	-
Supervisory Board	-	670 (*)	-	-	-	-

(*) Remuneration paid

Information on the remuneration of the Management Board and Supervisory Board is presented in Note 33.4 below.

33.1. Parent Undertaking of Group

There was no parent undertaking of Develia S.A. as at 31 December 2019 and the date of signing these financial statements.

33.2. Payment of Dividend by Develia S.A.

On 13 June 2019, the Ordinary General Meeting of Develia S.A. adopted a resolution on the payment of dividend on the following principles:
a) Amount of dividend: PLN 120,840,743.97
b) Amount of dividend per share: PLN 0.27
c) Number of shares subject to dividend: 447,558,311 shares
d) Record date: 19 August 2019
e) Dividend payment date: 30 August 2019

Pursuant to the said resolution, Develia S.A. paid the dividend on 30 August 2019.

33.3. Remuneration to Senior Management of Group

	Year ended 31 December 2019	**Year ended 31 December 2018**
Current employee benefits	5,899	4,919
Jubilee bonuses and retirement severance payments	-	-
Termination benefits	-	-
Employee share-based benefits	-	-
Total remuneration paid to senior management (except for the Management Board and Supervisory Board)	**5,899**	**4,919**

In the year ended 31 December 2019, members of the senior management did not purchase residential premises from the Group companies (in the year ended 31 December 2018, the value of residential premises purchased from the Group companies amounted to PLN 1,571,000).

(PLN '000)

33.4. Remuneration to Members of Management Board and Supervisory Board

Remuneration paid to the members of the Management Board and members of the Supervisory Board of the Group's and subsidiary undertakings' Parent Undertaking was as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Management Board – remuneration	14,213	14,757
Management Board – own-share-based benefits	-	-
Management Board (subsidiaries) – remuneration	-	234
Management Board (subsidiaries) – share-based benefits	-	-
Supervisory Board – remuneration	627	670
Supervisory Board – own-share-based benefits	-	-
Total	**14,840**	**15,661**

34. Information on Remuneration to Auditor or Entity Qualified for Auditing Financial Statements

2019

On 27 July 2018, a services agreement for auditing and other assurance services was concluded with Deloitte Audyt Sp. z o.o. Sp.k, with its registered office in Warsaw, covering an audit of the separate and consolidated financial statements of Develia S.A. for the years 2018-2020 and a review of interim financial statements covering the six-month periods ended 30 June 2018, 2019 and 2020. Remuneration to be paid in 2019 under the aforesaid agreement amounts to PLN 103,000, which price includes an audit of the separate and consolidated financial statements of Develia S.A., and PLN 60,000 for services relating to a review of financial statements for a six-month period ended 30 June 2019.

Moreover, 22 agreements were concluded in 2019 with Deloitte Audyt Sp. z o.o. Sp.k., with its registered office in Warsaw, for an audit of annual financial statements of subsidiaries of the Develia S.A. Group. The remuneration under the above agreements in 2019 totalled PLN 337,000.

2018

On 27 July 2018, a services agreement for auditing and other assurance services was concluded with Deloitte Audyt Sp. z o.o. Sp.k, with its registered office in Warsaw, covering an audit of the separate and consolidated financial statements of Develia S.A. for the years 2018-2020 and a review of interim financial statements covering the six-month periods ended 30 June 2018, 2019 and 2020. Remuneration to be paid in 2018 under the aforesaid agreement amounts to PLN 103,000, which price includes an audit of the separate and consolidated financial statements of Develia S.A., and PLN 60,000 for services relating to a review of financial statements for a six-month period ended 30 June 2018.

Moreover, 22 agreements were concluded in 2018 with Deloitte Audyt Sp. z o.o. Sp.k., with its registered office in Warsaw, for an audit of annual financial statements of subsidiaries of the Develia S.A. Group. The remuneration under the above agreements in 2018 totalled PLN 337,000.

35. Objectives and Rules Governing Financial Risk Management

The main financial instruments used by the Group include bank loans and bonds as well as derivative instruments such as forward transactions and IRS and CAP type transactions hedging against the risk of an interest rate increase. The main purpose of loans and bonds is to obtain financial resources for the Group's activity. Temporary cash flow surpluses are deposited in banks as short-term deposits. The Group also has other financial instruments such as trade receivables and trade payables, which occur directly in the course of its business activity.

The principle by which the Group abides now is refraining from the trading in financial instruments.

In 2013, the Group extended its accounting policy by adding the guidelines for Hedge Accounting concerning the instruments hedging against the interest rate risk, and this policy was continued in subsequent years. The valuation of the hedging transactions of this type as at 31 December 2019 and as at 31 December 2018 is presented in Note 28.

The main types of risk arising from the Group's financial instruments include the interest rate risk, currency risk, credit risk and liquidity risk. The Management Board verifies and formulates the rules for managing each type of risk – these rules are briefly discussed below.

35.1. Interest Rate Risk

The interest rate risk relates mainly to non-current financial liabilities, based on a floating interest rate. This risk is partly compensated by the indexation of revenue from lease. According to the provisions for long-term investment loans, the relevant companies effected IRS and CAP transactions, hedging against the interest rate risk. Quantitative exposure to the interest rate risk is presented in Note 35.2.

35.2. Foreign Exchange Risk

The currency risk arising from the servicing of a foreign currency loan is minimised by collecting rents indexed against the currency of the loan financing the investment. The risk posed by time differences between invoicing and the repayment of the loan is minimised, depending on the market situation, by the purchase of a proper amount of currency at the dates of invoicing rents.

The currency risk associated with the initiation of a foreign currency loan (the financing of investment property under construction) is limited by entering into hedging transactions involving forward contracts.

In addition, the fair value measurement of assets in EUR (investment property), expressed in the financial statements at the average exchange rate of the National Bank of Poland, and the valuation of loans in EUR, reported in the financial statements at the same rate can cause significant unrealised foreign exchange differences. The table below shows the sensitivity of a net financial result to possible fluctuations of the euro exchange rates, on the assumption of the invariability of other factors. Because of a considerable instability of euro exchange rate in recent years, the sensitivity of the financial result for this year is presented for a change by 20 groszy.

	Increase/decrease in the exchange rate in PLN	Impact on the net financial result in PLN '000	Impact on equity in PLN '000
31 December 2019	+ 0.20	35,262	35,262
	- 0.20	(35,262)	(35,262)
31 December 2018	+ 0.20	41,160	41,160
	- 0.20	(41,160)	(41,160)

35.3. Credit Risk

The Group concludes transactions with renowned companies of good credit capacity. Moreover, owing to the current monitoring of receivables, the Group's exposure to the risk of uncollectible receivables is negligible. With regard to the sale of residential and retail premises and houses the credit risk does not occur, as their sale to retail customers is made on the basis of advance payments.

As at 31 December 2019, trade receivables amounted to PLN 35,484,000. The analysis of their maturities is presented in Note 21. Rental receivables of PLN 12,768,000 were secured with security deposits of PLN 14,108,000 and in the remaining part – with bank or insurance guarantees.

With regard to the Group's financial assets such as cash and cash equivalents, the Group's credit risk is minimal, because the Group deposits its funds in banks of good and stable financial standing.

There is no significant concentration of credit risk in the Group.

35.4. Liquidity Risk

The Group aims to maintain a balance between the continuity and flexibility of financing, by means of using different sources of financing such as bank loans and bonds.

The Group concludes loan agreements with various banks to finance its projects. Maturity dates of successive repayments are adjusted to projected proceeds from the sale of respective projects.

The tables below present the Group's liabilities as at 31 December 2019 and as at 31 December 2018, by maturity dates, on the basis of contractual non-discounted payments.

31 December 2019

Interest-bearing (in PLN'000)

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Bonds (floating interest)	103,455	140,000	161,000	60,000	-	-	464,455
Bank loan in EUR (EURIBOR)	7,452	7,452	52,167	-	-	-	67,071
Bank loan in EUR (EURIBOR)	7,461	7,746	8,040	8,347	8,662	152,043	192,299
Bank loan in EUR (EURIBOR)	10,124	10,561	169,292	-	-	-	189,977
Bank loan in EUR (EURIBOR)	310	3,791	3,914	4,041	4,173	87,962	104,191
Bank loan in PLN (WIBOR)	-	-	-	-	-	-	-
	128,802	**169,550**	**394,413**	**72,388**	**12,835**	**240,005**	**1,017,993**

Interest-free (in PLN'000)

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Liabilities on Account of Acquisition of Subsidiary	-	-	-	-	-	-	-
Trade and Other Payables	127,117	-	-	-	-	-	127,117
	127,117	**-**	**-**	**-**	**-**	**-**	**127,117**

The following table demonstrates the breakdown of liabilities on account of loans and bonds as at 31 December 2019 with repayment date below 1 year:

31 December 2019

Interest-bearing (in PLN'000)

	<1 month	1-3 months	3-12 months	Total below 1 year
Bonds (floating interest)	708	67,028	35,719	103,455
Bank loan in EUR (EURIBOR)	-	1,863	5,589	7,452
Bank loan in EUR (EURIBOR)	-	1,840	5,621	7,461
Bank loan in EUR (EURIBOR)	-	2,523	7,601	10,124
Bank loan in EUR (EURIBOR)	-	-	310	310
Bank loan in PLN (WIBOR)	-	-	-	-
	708	**73,254**	**54,840**	**128,802**

31 December 2018

Interest-bearing (in PLN'000)

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Bonds (floating interest)	54,311	99,000	140,000	161,000	-	-	454,311
Bank loan in PLN (WIBOR)	33,200	-	-	-	-	-	33,200
Bank loan in EUR (EURIBOR)	10,750	10,750	10,750	64,500	-	-	96,750
Bank loan in EUR (EURIBOR)	7,258	7,534	7,822	8,118	8,428	165,156	204,316
Bank loan in EUR (EURIBOR)	9,787	10,193	10,664	170,943	-	-	201,587
Bank loan in EUR (EURIBOR)	2,337	2,396	2,459	2,523	2,589	29,748	42,052
Bank loan in EUR (EURIBOR)	2,270	2,334	2,404	2,473	2,545	41,517	53,543
Bank loan in EUR (EURIBOR)	1,865	3,273	3,373	3,476	3,581	71,234	86,802
Bank loan in PLN (WIBOR)	168	-	-	-	-	-	168
Bank loan in EUR (EURIBOR)	-	106	1,297	1,339	1,383	31,524	35,649
Bank loan in PLN (WIBOR)	-	138	-	-	-	-	138
	121,946	**135,724**	**178,769**	**414,372**	**18,526**	**339,179**	**1,208,516**

Interest-free (in PLN'000)

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Liabilities on Account of Acquisition of Subsidiary	40,400	-	-	-	-	-	40,400
Trade and Other Payables	142,049	-	-	-	-	-	142,049
	182,449	**-**	**-**	**-**	**-**	**-**	**182,449**

The following table demonstrates the breakdown of liabilities on account of loans and bonds as at 31 December 2018 with repayment date below 1 year:

31 December 2018

Interest-bearing (in PLN'000)

	<1 month	1-3 months	3-12 months	Total
Bonds (floating interest)	729	1,675	51,907	54,311
Bank loan in PLN (WIBOR)	-	-	33,200	33,200
Bank loan in EUR (EURIBOR)	-	2,688	8,062	10,750
Bank loan in EUR (EURIBOR)	-	1,789	5,469	7,258
Bank loan in EUR (EURIBOR)	-	2,413	7,374	9,787
Bank loan in EUR (EURIBOR)	-	580	1,757	2,337
Bank loan in EUR (EURIBOR)	-	564	1,706	2,270
Bank loan in EUR (EURIBOR)	-	-	1,865	1,865
Bank loan in PLN (WIBOR)	-	-	168	168
Bank loan in EUR (EURIBOR)	-	-	-	-
Bank loan in PLN (WIBOR)	-	-	-	-
	729	**9,709**	**111,508**	**121,946**

36. Financial Instruments

36.1. Fair Values

The table below shows the balance sheet values of all financial instruments of the Group in a breakdown by respective categories of assets and equity and liabilities, pursuant to IFRS 9:

	31 December 2019	31 December 2018
Assets measured at amortised cost	**411,556**	**518,066**
Non-Current Receivables	8,699	12,749
Trade and other receivables (*net of budget receivables*)	36,391	17,431
Cash in open trust accounts	25,576	20,188
Cash and other cash equivalents	340,890	467,698
Assets measured at fair value through profit or loss	**239**	**102**
Fair Value of Financial Instruments in the Form of Forward Contracts	239	102
Financial liabilities measured at amortised cost	**1,197,355**	**1,380,096**
Liabilities on Account of Loans and Bonds	1,015,033	1,205,002
Lease liabilities	60,281	-
Liabilities on Account of Acquisition of Subsidiary	-	38,996
Trade and other payables (*net of budget liabilities*)	122,041	136,098
Liabilities measured at fair value through profit or loss	**-**	**-**
Fair Value of Financial Instruments in the Form of Forward Contracts	-	-
Hedging Financial Instruments	**12,411**	**9,463**
Fair value of IRS and CAP financial instruments	*12,411*	*9,463*

The fair values of the above presented items are close to their balance sheet values.

36.2. Interest Rate Risk

The tables below show the balance-sheet value of the Group's financial liabilities measured at amortised cost and exposed to the interest rate risk, in a breakdown by respective ageing categories.

31 December 2019

Fixed interest rate – transactions hedging against the interest rate risk, effected in connection with the loan agreements in EUR, are listed under the table

Floating interest rate (PLN ‘000)

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Bonds (floating interest)	103,221	139,829	160,146	59,519	-	-	462,715
Bank loan in EUR (EURIBOR) (*)	7,327	7,452	51,969	-	-	-	66,748
Bank loan in EUR (EURIBOR) (**)	7,317	7,746	8,040	8,347	8,662	151,276	191,388
Bank loan in EUR (EURIBOR) (***)	10,124	10,561	169,306	-	-	-	189,991
Bank loan in EUR (EURIBOR)	310	3,791	3,914	4,041	4,173	87,962	104,191
Bank loan in PLN (WIBOR)	-	-	-	-	-	-	-
	128,299	**169,379**	**393,375**	**71,907**	**12,835**	**239,238**	**1,015,033**

(*) Arkady Wrocławskie S.A. effected a transaction hedging against the interest rate risk (CAP) for the base amount of EUR 22,500,000 for a period from 18/01/2018 to 30/12/2022. On 01/04/2019, Arkady Wrocławskie S.A. reduced the amount of a Collar transaction concluded to approx. EUR 17,100,000. The transaction term did not change,

(**) Warszawa Przyokopowa Sp. z o.o. effected a transaction hedging against the interest rate risk (IRS) for the base amount of EUR 31,200,000 for a period from 31/12/2014 to 31/12/2019 and of EUR 8,800,000 for a period from 30/06/2015 to 30/06/2020 and the base amount from EUR 2,800,000 to EUR 40,500,000 for a period from 28/09/2018 to 30/06/2026.

(***)Sky Tower S.A. effected a transaction hedging against the interest rate risk (IRS) for the base amount of EUR 16,400,000 for a period from 30/06/2016 to 01/07/2019 and of EUR 18,100,000 for a period from 29/09/2016 to 30/09/2019. On 28/06/2019, Sky Tower S.A. entered into an IRS transaction hedging against an increase in interest rate for an amount of EUR 16,013,000 for a period from 1 July 2019 to 20 December 2022.

31 December 2018

Fixed interest rate – transactions hedging against the interest rate risk, effected in connection with the loan agreements in EUR, are listed under the table

Floating interest rate (PLN '000)

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Bonds (floating interest)	54,247	98,573	139,713	159,809	-	-	452,342
Bank loan in PLN (WIBOR)	33,197	-	-	-	-	-	33,197
Bank loan in EUR (EURIBOR)	10,625	10,624	10,625	64,390	-	-	96,264
Bank loan in EUR (EURIBOR) (*)	7,115	7,391	7,679	7,975	8,285	164,797	203,242
Bank loan in EUR (EURIBOR) (**)	9,787	10,193	10,664	170,961	-	-	201,605
Bank loan in EUR (EURIBOR) (***)	2,337	2,396	2,459	2,523	2,589	29,748	42,052
Bank loan in EUR (EURIBOR) (****)	2,270	2,334	2,404	2,473	2,545	41,517	53,543
Bank loan in EUR (EURIBOR)	1,865	3,273	3,373	3,476	3,581	71,234	86,802
Bank loan in PLN (WIBOR)	168	-	-	-	-	-	168
Bank loan in EUR (EURIBOR)	-	106	1,297	1,339	1,383	31,524	35,649
Bank loan in PLN (WIBOR)	-	138	-	-	-	-	138
	121,611	**135,028**	**178,214**	**412,946**	**18,383**	**338,820**	**1,205,002**

(*) Arkady Wrocławskie S.A. effected a transaction hedging against the interest rate risk (CAP) for the base amount of EUR 22,500,000 for a period from 18/01/2018 to 30/12/2022.

(**) Warszawa Przyokopowa Sp. z o.o. effected a transaction hedging against the interest rate risk (IRS) for the base amount of EUR 31,200,000 for a period from 31/12/2014 to 31/12/2019 and of EUR 8,800,000 for a period from 30/06/2015 to 30/06/2020 and the base amount of EUR 2,800,000 for a period from 28/09/2018 to 30/06/2026.

(***) Sky Tower S.A. effected a transaction hedging against the interest rate risk (IRS) for the base amount of EUR 16,400,000 for a period from 30/06/2016 to 01/07/2019 and of EUR 18,100,000 for a period from 29/09/2016 to 30/09/2019.

(****) LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp.k. effected a transaction hedging against the interest rate risk (IRS) for the base amount of EUR 7,500,000 for a period from 31/12/2014 to 31/12/2020.

(*****) LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp.k. effected a transaction hedging against the interest rate risk (IRS) for the base amount of EUR 7,400,000 for a period from 31/08/2017 to 31/12/2025.

The sensitivity of the net financial result to changes in the interest rate in the year ended 31 December 2019 and the year ended 31 December 2018 is shown in the table below:

		EURIBOR	WIBOR
	Increase/decrease in exchange rate	**Impact on the net financial result in PLN '000**	**Impact on the net financial result in PLN '000**
31 December 2019	1%	(2,249)	(2,249)
	-1%	2,249	2,249
31 December 2018	1%	(1,975)	(2,522)
	-1%	1,975	2,522

36.3. Collateral

As at 31 December 2019, the following main collateral, categorised into below groups, was used as security for the repayment of loans.

Security for Loans Granted to Finance Commercial Properties

1. Security for the bank loan agreement concluded by Arkady Wrocławskie S.A.:
- Capped mortgage (*loan in EUR*) – up to the amount of EUR 37,500,000;
- Pledge on the shares of Arkady Wrocławskie S.A. held by Develia S.A. – up to the amount EUR 37,500,000;
- Registered pledge on bank accounts (*loan in EUR*) – up to the amount of EUR 37,500,000;
- Assignment of rights arising from lease contracts, insurance and guarantees under agreements with contractors;
- Declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure with regard to 113,700,000 ordinary registered shares held by Develia S.A. of a nominal value of PLN 1.00, each being a part of the share capital of Arkady Wrocławskie S.A., encumbered with registered pledge, under financial and registered pledge agreement, on shares as security for the repayment of secured debt;
- Deposit of EUR 500,000.

2. Security for transactions hedging against interest rate risk (COLLAR) (hedging agreement), which were established by Arkady Wrocławskie S.A. after the balance-sheet date under a framework agreement:
- Contractual mortgage of up to PLN 8,250,000;
- Declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure for a total amount of up to PLN 8,250,000;

3. Security for the bank loan agreement concluded by Warszawa Przyokopowa Sp. z o.o., which expired on 29 January 2020 following the repayment of loan liabilities:
- Contractual capped mortgage of the highest priority up to the amount of EUR 75,957,124.43;
- Financial and registered pledges on accounts receivable from bank accounts with a power of attorney to manage the accounts;
- Registered pledge on all shares of Warszawa Przyokopowa Sp. z o.o. together with a financial pledge;
- Assignment to secure the borrower's rights arising from all agreements concluded by the Borrower;
- Subordination agreement on claims from other borrower's creditors being the borrower's partners, making them junior to the claims of the bank resulting from the Agreement;
- Declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure for a total amount of up to EUR 82,500,000;

4. Security for the transactions hedging against foreign exchange risk and interest rate risk (hedging agreements), established by Warszawa Przyokopowa Sp. z o.o. pursuant to the framework agreement of 1 June 2012, which expired on 29 January 2020 following the repayment of liabilities:
- Contractual mortgage of up to PLN 135,000,000;
- Declaration on submission to enforcement pursuant to Article 97 of the Banking Law for a total amount of up PLN 135,000,000.

5. Security for the agreement on a bank loan taken out by Sky Tower S.A.:
- Contractual mortgage of the highest priority of up to EUR 90.000.000;
- Financial and registered pledges on accounts receivable from bank accounts with a power of attorney to manage the accounts;
- Declaration on submission to enforcement pursuant to Article 97 of the Banking Law and Article 777 of the Code of Civil Procedure;
- Registered pledges on all shares of Sky Tower S.A., together with a financial pledge of up to EUR 90,000,000;
- Assignment to secure the borrower's rights arising from all agreements concluded by the Borrower;
- Subordination agreement on claims from other borrower's creditors being the borrower's partners, making them junior to the claims of the bank resulting from the Agreement.

6. Security for the transactions hedging against foreign exchange risk and interest rate risk (hedging agreements), established by Sky Tower S.A. pursuant to the framework agreement of 27 December 2012:

– Contractual mortgage of the highest priority of up to EUR 44.000.000;
– Declaration on submission to enforcement pursuant to Article 97 of the Banking Law.

7. Security for the bank loan agreement signed by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp.k.:

– Contractual mortgage of up to EUR 36,280,500.00 established on the land property owned by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. in favour of mBank Hipoteczny S.A.;
– Contractual mortgage of up to EUR 15,000,000.00 established on the land property owned by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. in favour of mBank S.A.;
– Contractual mortgage of up to PLN 10,500,000.00 established on the land property owned by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. in favour of mBank S.A.;
– Declaration of the borrower on voluntary submission to enforcement towards mBank Hipoteczny S.A. of up to EUR 36,280,500.00 pursuant to Article 777(1)(5) of the Code of Civil Procedure, in respect of any pecuniary liabilities of the Company towards the Bank resulting from the Loan agreement;
– Declaration of the borrower on voluntary submission to enforcement towards mBank Hipoteczny S.A. of up to EUR 15,000,000.00 pursuant to Article 777(1)(5) of the Code of Civil Procedure, in respect of any pecuniary liabilities of the Company towards the Bank resulting from the Loan agreement;
– Declaration of the borrower on voluntary submission to enforcement towards mBank S.A. of up to PLN 10,500,000.00 pursuant to Article 777(1)(5) of the Code of Civil Procedure, in respect of any pecuniary liabilities of the Company towards the Bank resulting from the Loan agreement;
– Agreement on the assignment of claims from all agreements concluded by the borrower connected with the project implemented on the property;
– Registered pledges on the rights to cash in all bank accounts of the Borrower up to the highest sum of security in the amount of EUR 36,280,500.00 in favour of mBank Hipoteczny S.A.;
– Registered pledges on the rights to cash in all bank accounts of the Borrower up to the highest sum of security in the amount of EUR 15,000,000.00 and PLN 10,500,000 in favour of mBank S.A.;
– Subordination agreement on accounts receivable concluded by the borrower, Develia S.A. and other subsidiaries of the Issuer - LC Corp Invest XVII Sp. z o.o. and LC Corp Invest I Sp. z o.o., making them subordinated creditors, and mBank S.A. and mBank Hipoteczny S.A. as senior creditors, including the assignment to secure all subordinated accounts receivable for the bank in accordance with the above agreement;
– Support agreement concluded by the borrower, mBank Hipoteczny S.A., mBank S.A. and Develia S.A. as the guarantor, pursuant to which the guarantor will be obliged, among other things, to provide financial support to the borrower under the circumstances specified in the agreement;
– Declaration of Develia S.A. on its submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in conjunction with the above-mentioned support agreement up to EUR 3,576,261.90;
– Surety agreement concluded by the borrower, mBank Hipoteczny S.A., mBank S.A. and Develia S.A., under which Develia S.A. will stand surety for the borrower up to a partial amount of the borrower's liabilities as a result of achieving a certain level of DSCR ;
– Commitment to enter into a support agreement with the borrower, mBank Hipoteczny S.A., mBank S.A. and Develia S.A. as the guarantor, pursuant to which the guarantor will be obliged, among other things, to provide financial support to the borrower under the circumstances specified in the agreement;
– Declaration of Develia S.A. on its submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in conjunction with the above-mentioned support agreement up to EUR 558,660.50;
– Registered pledge in favour of mBank Hipoteczny S.A. established by LC Corp Invest XVII Sp. z o.o. – a subsidiary of the Issuer, with regard to the rights and obligations due to LC Corp Invest XVII Sp. z o.o. as the general partner of the borrower to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of EUR 36,280,500.00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;
– Registered pledge in favour of mBank S.A. established by LC Corp Invest XVII Sp. z o.o. – a subsidiary of the Issuer, with regard to the rights and obligations due to LC Corp Invest XVII Sp. z o.o. as the general partner of the borrower to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of EUR 15,000,000.00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;

- Registered pledge in favour of mBank S.A. established by LC Corp Invest XVII Sp. z o.o. – a subsidiary of the Issuer, with regard to the rights and obligations due to LC Corp Invest XVII Sp. z o.o. as the general partner of the borrower to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of PLN 10,500,000.00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;
- Registered pledge in favour of mBank Hipoteczny S.A. established by Develia S.A. with regard to the rights and obligations due to the limited partner of the borrower to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of EUR 36,280,500.00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;
- Registered pledge in favour of mBank Hipoteczny S.A. established by Develia S.A. with regard to the rights and obligations due to the limited partner of the borrower to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of EUR 15,000,000.00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;
- Registered pledge in favour of mBank Hipoteczny S.A. established by Develia S.A. with regard to the rights and obligations due to the limited partner of the borrower to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of PLN 10,500,000.00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;
- Registered pledge on the enterprise (a set of movables and transferable rights) in favour of mBank Hipoteczny S.A. established by the borrower with regard to the rights and obligations due to the limited partner of the borrower to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of EUR 36,280,500.00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;
- Registered pledge on the enterprise (a set of movables and transferable rights) in favour of mBank S.A. established by the borrower with regard to the rights and obligations due to the limited partner of the borrower to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of EUR 15,000,000.00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;
- Registered pledge on the enterprise (a set of movables and transferable rights) in favour of mBank S.A. established by the borrower with regard to the rights and obligations due to the limited partner of the borrower to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of PLN 10,500,000.00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;

8. Security for transactions hedging against foreign exchange risk and interest rate risk (hedging agreements), established by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp.k. pursuant to the framework agreement as security for the loan agreement in favour of mBank S.A.:

- Next ranking contractual mortgage of up to PLN 32,235,000, subordinated to the mortgage established as security for the investment loan and revolving loan for VAT on the land property owned by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k.;
- Registered pledges on the rights to cash in all bank accounts of the Borrower up to the highest sum of security in the amount of PLN 32,235,000 in favour of mBank S.A.;
- Declaration on submission to enforcement pursuant to Article777 of the Code of Civil Procedure of up to PLN 32,235,000.

37. Capital Management

The main purpose of the Group's capital management is to maintain a good credit rating and safe capital ratios which would support the Group's operating activity and increase the value for its shareholders.

The Group manages the capital structure and modifies it as a result of changes in economic conditions. In order to maintain or adjust the capital structure, the Group can change the payment of dividend to shareholders, return capital to shareholders or issue new shares. In the year ended 31 December 2019 and until 31 December 2018, there were no changes in the objectives, rules and processes binding in this area.

The Group monitors the condition of capital by means of a leverage ratio, which is calculated as a ratio of debt to equity. The Group's rules determine this ratio as not higher than 5. The Group’s debt includes interest-bearing loans, bonds, liabilities on account of the acquisition of a subsidiary undertaking, trade payables and other liabilities.

(PLN '000)

	31 December 2019	31 December 2018
Liabilities on Account of Loans and Bonds	1,015,033	1,205,002
Liabilities on Account of Acquisition of Subsidiary	-	38,996
Trade and Other Payables	127,117	142,049
A. Debt	**1,142,150**	**1,386,047**
B. Equity	**1,492,111**	**1,497,799**
Leverage ratio (A/B)	**0.8**	**0.9**

38. Events After End of Reporting Period

1) Disposal of "Wola Center" Real Property

- On 29 January 2020, in pursuance of the preliminary agreement of 24 September 2019, an Issuer's subsidiary – Warszawa Przyokopowa sp. z o.o. entered into a final sales and purchase agreement with an entity which was not related to the Issuer, concerning the sale of the perpetual usufruct right to parcels of land located at 33 Przyokopowa Street in Warsaw, including the right of ownership to an office building erected on the said land, known as the "Wola Center" building, along with tangible and intangible assets related to the said real property for a price of EUR 101,900,000 (plus an applicable rate of VAT and transaction costs). The transaction price received was designated for the full repayment of a bank loan of EUR 45,246,208.46, taken out under an agreement concluded by Company with BNP Paribas Bank Polska S.A., with its registered office in Warsaw, for the purpose of the construction of the "Wola Center" building. The entire security provided in connection with the loan agreement and agreements hedging against foreign exchange risk and interest rate risk (hedging agreements) expired upon the said repayment.

2) Taking out and Repayment of Bank Loans and Borrowings

- On 29 January 2020, Warszawa Przyokopowa Sp. z o.o. repaid in full the bank loan obtained under an agreement concluded on 15 July 2011 with BNP Paribas Polska S.A., including further amendments thereto, in a total amount of EUR 45,246,208.46 and settled transactions hedging against a risk associated with an increase in interest rates, concluded as at the date of repayment, in the total amount of EUR 3,468,899.70.

3) Changes in Company's Governing Bodies

- On 8 January 2020, the Extraordinary General Meeting of the Company decided that the Issuer's Supervisory Board be composed of seven members and appointed Mr Artur Osuchowski as Member of the Supervisory Board as from 8 January 2020.
- On 26 February 2020, the Supervisory Board, acting pursuant to Article 383(1) of the Commercial Partnerships and Companies Code, adopted a resolution under which Mr Michał Hulbój was delegated to act as the President of the Management Board for a period from 29 February 2020 to 29 May 2020.

4) Acquisition and Sale of Real Property by Group Companies

- On 10 February 2020, the Company – as the Purchaser – entered into a purchase agreement in the form of a notarial deed, under which the right of ownership to land of an area of 0.0563 ha, located at Letnicka street in Gdańsk, together with other benefits set out in the agreement, was purchased for a price of PLN 953,914.00 net plus VAT.
- On 27 February 2020, the Company, acting as the Purchaser, entered into a sales agreement in the form of a notarial deed, under which the right of ownership to real estate located in Wrocław at Orawska street was purchased from an entity which was not related to the Issuer. The area of the land property disposed of as part of the transaction is 2.4272 ha. The price for the Real estate was set at PLN 29,500,000.00 net, plus VAT.

(PLN '000)

5) Changes to Documentation of Bond Issue Programme

- On 5 March 2020, the Issuer and mBank S.A. concluded an amendment to the programme agreement of 2 October 2018 (“the Programme Agreement”) under which the Issuer set up a bond issue programme for its bonds up to the total amount (nominal value) of issued and outstanding bonds of PLN 400,000,000 (“the Issue Programme”). The amendment to the Programme Agreement is designed to adapt both the Programme Agreement and documentation relating to the Issue Programme to amended provisions of law that apply to the issue of bonds. Bonds issued under the amended Issue Programme (“the Bonds”) will be tendered for purchase pursuant to Article 33(1) or (2) of the Bonds Act of 15 January 2015.

Apart from the foregoing, no other event that could significantly influence the financial results of the Develia S.A. Group occurred after 31 December 2019.

The document has been signed by a qualified electronic signature

Michał Hulbój acting President of Management Board	**Mirosław Kujawski** Member of Management Board	**Tomasz Wróbel** Member of Management Board	**Paweł Ruszczak** Member of Management Board CFO
Lidia Kotowska Director of Accounting Department	**Anna Gremblewska-Nowak** Chief Accountant	**Michał Michalczyk** Head of Financial Reporting and Consolidation	

Wrocław, 12 March 2020