GLOBE TRADE CENTRE S.A.

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

Globe Trade Centre S.A.
Consolidated Statement of Financial Position
as of 31 December 2019
(in thousands of Euro)

	Note	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Investment property	17	2,247,030	2,113,068
Residential landbank	18	13,388	12,698
Property, plant and equipment	16	8,159	6,712
Blocked deposits	22	11,137	9,068
Deferred tax asset	15	-	52
Derivatives		265	-
Other non-current assets		109	129
		2,280,088	**2,141,747**
Loan granted to non-controlling interest partner	29	10,976	10,282
Total non-current assets		**2,291,064**	**2,152,009**
Assets held for sale		**-**	**76,196**
Current assets			
Accounts receivables		10,269	4,449
Receivables related to expropriation of land	28	-	4,917
Accrued income		2,180	1,066
VAT receivable	27	3,296	5,156
Income tax receivable		1,079	1,233
Prepayments and deferred expenses		2,187	1,401
Short-term deposits	22	33,031	30,041
Cash and cash equivalents	23	179,636	80,456
		231,678	**128,719**
TOTAL ASSETS		**2,522,742**	**2,356,924**

Globe Trade Centre S.A.
Consolidated Statement of Financial Position
as of 31 December 2019
(in thousands of Euro)

	Note	31 December 2019	31 December 2018
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	32,9	11,007	10,960
Share premium	9	550,522	546,711
Capital reserve	32	(43,098)	(36,054)
Hedge reserve		(4,994)	(4,542)
Foreign currency translation		943	1,680
Accumulated profit		530,242	496,996
		1,044,622	**1,015,751**
Non-controlling interest	29	14,040	5,044
Total Equity		**1,058,662**	**1,020,795**
Non-current liabilities			
Long-term portion of long-term borrowing	30	980,872	993,453
Deposits from tenants	25	11,137	9,068
Long term payable	26	2,648	3,045
Provision for share based payment	33	1,446	4,533
Lease liability	31	46,222	-
Derivatives	20	2,611	3,736
Provision for deferred tax liability	15	147,232	139,120
		1,192,168	**1,152,955**
Current liabilities			
Investment and trade payables and provisions	21	37,290	50,499
Deposits from tenants	25	1,605	1,307
Current portion of long-term borrowing	30	225,350	121,894
VAT and other taxes payable		1,817	1,636
Income tax payable		1,542	1,114
Derivatives	20	3,739	1,887
Current portion of lease liabilities	31	208	-
Advances received	19	361	4,837
		271,912	**183,174**
TOTAL EQUITY AND LIABILITIES		**2,522,742**	**2,356,924**

Globe Trade Centre S.A.
Consolidated Income Statement
for the year ended 31 December 2019
(in thousands of Euro)

	Note	Year ended 31 December 2019	Year ended 31 December 2018
Rental revenue	10,14	127,811	110,530
Service charge revenue	10	41,951	38,853
Residential revenue	10,14	-	4,578
Service charge costs	14	(41,876)	(38,510)
Residential costs	14	-	(3,868)
Gross margin from operations		**127,886**	**111,583**
Selling expenses	11	(2,017)	(2,148)
Administration expenses	12	(14,410)	(10,236)
Profit from revaluation/ impairment of assets	17	16,190	40,125
Other income		1,160	1,567
Other expenses	24	(1,932)	(4,885)
Profit from continuing operations before tax and finance income / expense		**126,877**	**136,006**
Foreign exchange differences gain/(loss), net		(437)	(240)
Finance income	13	380	376
Finance cost	13	(34,634)	(30,184)
Profit before tax		**92,186**	**105,958**
Taxation	15	(16,765)	(13,938)
Profit for the year		**75,421**	**92,020**
Attributable to:			
Equity holders of the Company		74,825	91,202
Non-controlling interest	29	596	818
Basic earnings per share (in Euro)	34	0.15	0.19

Globe Trade Centre S.A.
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2019
(In thousands of Euro)

	Year ended 31 December 2019	Year ended 31 December 2018
Profit for the period	**74,825**	**92,020**
Net other comprehensive income for the period, net of tax not to be reclassified to profit or loss in subsequent periods		-
Gain (loss) on hedge transactions	(462)	(2,625)
Income tax	10	448
Net gain on hedge transactions	**(452)**	**(2,177)**
Foreign currency translation	(737)	(643)
Net other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods	**(1,189)**	**(2,820)**
Total comprehensive income for the period, net of tax	**73,636**	**89,200**
Attributable to:		
Equity holders of the Company	73,040	88,382
Non-controlling interest	596	818

Globe Trade Centre S.A.
Consolidated Statement of Changes in Equity
for the year ended 31 December 2019
(In thousands of Euro)

	Share Capital	Share premium	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest	Total
Balance as of 1 January 2019	**10,960**	**546,711**	**(36,054)**	**(4,542)**	**1,680**	**496,996**	**1,015,751**	**5,044**	**1,020,795**
Other comprehensive income				(452)	(737)		(1,189)		(1,189)
Profit / (loss) for the year ended 31 December 2019						74,825	74,825	596	75,421
Total comprehensive income / (loss) for the period				**(452)**	**(737)**	**74,825**	**73,636**	**596**	**74,232**
Acquisition of non-controlling interest			(7,044)				(7,044)	8,829	1,785
Dividend distribution of non-controlling interest								(429)	(429)
Distribution of dividend	47	3811				(41,579)	(37,721)		(37,721)
Balance as of 31 December 2019	**11,007**	**550,522**	**(43,098)**	**(4,994)**	**943**	**530,242**	**1,044,622**	**14,040**	**1,058,662**

	Share Capital	Share premium	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest	Total
Balance as of 1 January 2018	**10,651**	**520,504**	**(36,054)**	**(2,365)**	**2,323**	**441,977**	**937,036**	**4,226**	**941,262**
Other comprehensive income	-	-	-	(2,177)	(643)	-	(2,820)	0	(2,820)
Profit / (loss) for the year ended 31 December 2018	-	-	-	-	-	91,202	91,202	818	92,020
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**(2,177)**	**(643)**	**91,202**	**88,382**	**818**	**89,200**
Distribution of dividend	309	26,207	-	-	-	(36,183)	(9,667)		(9,667)
Balance as of 31 December 2018	**10,960**	**546,711**	**(36,054)**	**(4,542)**	**1,680**	**496,996**	**1,015,751**	**5,044**	**1,020,795**

Globe Trade Centre S.A.
Consolidated Statement of Cash Flow
for the year ended 31 December 2019
(In thousands of Euro)

	Note	Year ended 31 December 2019	Year ended 31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax		92,186	105,958
Adjustments for:			
Loss/(profit) from revaluation/impairment of assets and residential projects		(16,190)	(40,125)
Foreign exchange differences loss/(gain), net		437	240
Finance income	13	(380)	(376)
Finance cost	13	34,634	30,184
Provision for share based payment loss/(profit)	12	(3,087)	(1,211)
Depreciation	16	660	558
Operating cash before working capital changes		**108,260**	**95,228**
Decrease (increase) in accounts receivables and prepayments and other current assets		(3,364)	674
Decrease in residential inventory		-	3,755
Increase in advances received		(910)	(2,788)
Increase in deposits from tenants		2,812	725
Increase (decrease) in trade payables		842	(1,399)
Cash generated from operations		**107,640**	**96,195**
Tax paid in the period		(6,233)	(7,897)
Net cash from operating activities		**101,407**	**88,298**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditure on investment property	17	(144,688)	(112,462)
Purchase of completed assets and land		-	(16,450)
Decrease in short term deposits designated for investment		5,579	17,944
Increase (decrease) in escrow accounts for purchase of assets		-	777
Sale (including advances) of investment property		80,504	13,613
Proceeds related to expropriation of land		4,917	-
VAT/tax on purchase/sale of investment property		857	1,303
Sale of subsidiary		42,834	-
Purchase of subsidiary		-	(37,846)
Sale of shares in associates		-	1
Interest received		115	130
Loans repayments from associates		-	1,300
Net cash used in investing activities		**(9,882)**	**(131,690)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution of dividend		(37,992)	(9,752)
Proceeds from long-term borrowings	30	292,962	191,224
Repayment of long-term borrowings	30	(200,918)	(162,104)
Interest paid		(30,430)	(28,093)
Repayment of lease liability		(1,739)	-
Loans origination payment		(2,390)	(2,132)
Dividend granted to non-controlling interest		(429)	-
Loans granted to non-controlling interest		(429)	(10,036)
Decrease/(Increase) in short term deposits		(11,086)	(2,276)
Net cash from /(used) in financing activities		**7,549**	**(23,169)**
Net foreign exchange difference		**106**	**(1,729)**
Net increase/ (Decrease) in cash and cash equivalents		**99,180**	**(68,290)**
Cash and cash equivalents at the beginning of the period		**80,456**	**148,746**
Cash and cash equivalents at the end of the period		**179,636**	**80,456**

1. Principal activities

Globe Trade Centre S.A. (the “Company”, “GTC S.A.” or “GTC”) and its subsidiaries (“GTC Group” or “the Group”) are an international real-estate corporation. The Company was registered in Warsaw on 19 December 1996. The Company’s registered office is in Warsaw, Poland at Komitetu Obrony Robotników (previously 17 Stycznia) 45a Street. The Company owns through subsidiaries, commercial real estate companies in Poland, Budapest, Bucharest, Belgrade, Sofia and Zagreb.

The Group’s main business activities are development and rental of office and retail space.

As of 31 December 2019 and 2018, the number of full time equivalent working employees in the Group companies was 197 and 192, respectively.

There is no seasonality in the business of the Group companies.

GTC is primarily listed on the Warsaw Stock Exchange and is inward listed on Johannesburg Stock Exchange.

The major shareholder of the Company is GTC Dutch Holdings B.V., controlled by Lone Star, a global private equity firm, which held 298,575,091 shares 61.49% of total share as of 31 December 2019.

2. Functional and presentation currencies

The functional currency of GTC S.A. and most of its subsidiaries is Euro. The functional currency of some of GTC’s subsidiaries is other than Euro (Spiral/Hungary/HUF, Europort/Ukraine/USD).

The financial statements of those companies prepared in their functional currencies are included in the consolidated financial statements by translation into Euro using appropriate exchange rates outlined in IAS 21 *The Effects of Changes in Foreign Exchange Rates*. Assets and liabilities are translated at the period end exchange rate, while income and expenses are translated at average exchange rates for the period. All resulting exchange differences are classified in equity as “Foreign currency translation” without effecting earnings for the period.

3. Basis of preparation and statement of compliance

The Company maintains its books of account in accordance with accounting principles and practices employed by enterprises in Poland as required by the Polish accounting regulations. The companies outside Poland maintain their books of account in accordance with local GAAP. The consolidated financial statements include a number of adjustments not included in the books of account of the Group entities, which were made in order to bring the financial statements of those entities to conformity with IFRS.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS”) as adopted by the EU („EU IFRS"). At the date of authorisation of these consolidated financial statements, taking into account the EU's ongoing process of IFRS endorsement and the nature of the Group's activities, there is no difference between International Financial Reporting Standards applying to these consolidated financial statements and International Financial Reporting Standards endorsed by the European Union.

4. Going concern

The Group's policies and processes are aimed at managing the Group's capital, financial and liquidity risks on a sound basis. The Group meets its day to day working capital requirements through generation of operating cash-flows from rental income. Further details of liquidity risks and capital management processes are described in note 37.

As of 31 December 2019, the Group's net working capital (defined as current assets less current liabilities) was negative and amounted to Euro 40.2 million as some loans that are expected to be refinanced were temporary classified as current liabilities. In February 2020, GTC CTWA signed with Erste and Raiffeisen banks a loan agreement, which refinanced the existing loan of Galeria Jurajska with a top-up of Euro 46 million, to a total of Euro 130 million. As of 31 December 2019, the full amount of current loan, in the amount of Euro 84.1 is classified as current liability.

The management has analysed the timing, nature and scale of potential financing needs of particular subsidiaries and believes that cash on hand, as well as, expected operating cash-flows will be sufficient to fund the Group's anticipated cash requirements for working capital purposes, for at least the next twelve months from the balance sheet date. Consequently, the consolidated financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future, for at least 12 months from the balance sheet date.

With reference to the Covid-19 outbreak, the management has prepared and analysed cash flow budget based on certain hypothetical defensive assumptions, to assess the reasonableness of the going concern assumption in view of the current developments on the market. This analysis assumed certain loans repayment acceleration, negative impact on NOI as well as other offsetting measures, which the Management may take to mitigate the risks, including deferring the development activity and dividend pay-out.

Based on management's analysis, the current cash liquidity of the Company and prepared cash flow budget assumptions, the Management concluded that there is no material uncertainty as to the Company's ability to continue as a going concern in the foreseeable future i.e. at least in the next 12 months. Management notes that it is difficult to predict ultimate short, medium and long-term impact on the macroeconomic conditions, the financial markets and the Company's activities but the expected impact may be significant.

Please refer to note 37 for further information.

5. Changes in accounting policies

The accounting policies adopted in the preparation of the attached consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. No changes to comparative data or error corrections were made except of the information specify in note 38.

Standards issued and effective for financial years beginning on or after 1 January 2019:

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

The Company's assessment is that above changes (new standards/amendments) has no material impact, except of the impact of IFRS 16, as described below.

IFRS 16 Leases

In January 2016, the IASB issued the final version of International Financial Reporting Standard 16 *Leases* ("IFRS 16"). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessor provide relevant information that faithfully represents those transactions:

- IFRS 16 requires lessees to recognise long term leases on their balance sheets.
  Lessor accounting is substantially unchanged to the existing accounting under IAS 17 *Leases*.
- Lessees have a single accounting model for all leases, with certain exemptions.
- It requires the disclosure of new information about leases that hasn't previously been required (see note 31).

5. Changes in accounting policies (continued)

There are two types of leases in GTC Group that are subject to IFRS 16 and affect the financial statements:

- Leasing property rented to tenants - primary activity of GTC Group.

For this leasing activity, GTC Group acts as a Lessor. As was mentioned previously, a lessor accounting under IFRS 16 is substantially unchanged, therefore it has no influence on the Group.

- Leases of lands under perpetual usufruct where the Group acts as Lessee.

Perpetual usage payments are payments, which are done in advance or in arrears on an annual or monthly basis within define period (from 33 to 87 years). Perpetual usage payments are done in Poland, Croatia, Romania and Serbia.

Due to the fact that perpetual usage payments, by substance, are treated as lease payments, payments are to be considered under IFRS 16.

In the consolidated financial position statements the Group recognized, on 1 January 2019, a Right-of-Use and Lease Liabilities in an amount of Euro 47 million as following:

Right of use of lands under perpetual usufruct in the amount of 46 million is presented as part of the Investment Property, with separate disclosure in a separate note.

Right of use of lands under perpetual usufruct in the amount of 1 million is presented as part of the residential landbank.

Lease Liabilities in the amount of 47 million is presented separately, as part of the Short term and Long term Liabilities, with a separate disclosure.

In the Consolidated Income Statement the Group used to present the lease payments for completed investment properties within the Operating expenses and for landbank within Other expenses. Under IFRS 16 the Group presents the amortization of Right-of-Use or the change in fair value of Right-of-Use within the profit (loss) on revaluations. Interest embedded within land leases is presented as Finance expenses.

5. Changes in accounting policies (continued)

The Right of Use of lands under perpetual usufruct is amortized over the lease period (for cost method) or valued using the fair value approach (for investment properties valued in fair value).

The Group transitioned to IFRS 16 in accordance with the modified retrospective approach. The prior year figures were not adjusted.

The Group entered into several other leases (low value, short term), which are not treated in accordance with IFRS 16. Additionally, the Group has decided not to apply the new guidelines to leases whose term will end within twelve months of the date of initial application. In such cases the lease is accounted as short term lease.

6. New standards and interpretations that have been issued but have not yet become effective

Standards issued but not yet effective:

- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard– not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (issued on 11 September 2014) – the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- IFRS 17 *Insurance Contracts* (issued on 18 May 2017) – not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2021;
- *Amendments to References to the Conceptual Framework in IFRS Standards* (issued on 29 March 2018) – effective for financial years beginning on or after 1 January 2020;
- Amendments to IFRS 3 *Business Combinations* (issued on 22 October 2018) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2020;
- Amendments to IAS 1 and IAS 8: *Definition of Material* (issued on 31 October 2018) – effective for financial years beginning on or after 1 January 2020;
- Amendments to IFRS 9, IAS 39 and IFRS 7: *Interest Rate Benchmark Reform* (issued on 26 September 2019) – effective for financial years beginning on or after 1 January 2020;
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (issued on 23 January 2020) – not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2022.

6. New standards and interpretations that have been issued but have not yet become effective (continued)

The effective dates are dates provided by the International Accounting Standards Board. Effective dates in the European Union may differ from the effective dates provided in standards and are published when the standards are endorsed by the European Union.
The Group plans to adopt all new standards on the required effective date and will not restate comparative information. The Group does not expect significant impact on its statement of financial position and equity.

7. Summary of significant accounting policies

(a) Basis of accounting

The consolidated financial statements have been prepared on a historical cost basis, except for completed investment properties, IPUC if certain condition described in note 7(c) ii are met, share based payments and derivative financial instruments that have been measured at fair value.

(b) Property, Plant and Equipment

Plant and equipment consist of vehicles and equipment. Plant and equipment are recorded at cost less accumulated depreciation and impairment. Depreciation is provided using the straight-line method over the estimated useful life of the asset. Reassessment of the useful life and indications for impairment is done each quarter.

The following depreciation rates have been applied:

	Depreciation rates
Equipment	7-20 %
Buildings	2 %
Vehicles	20 %

Assets under construction other than investment property are shown at cost. The direct costs paid to subcontractors for the improvement of the property are capitalised into construction in progress. Capitalised costs also include borrowing costs, planning and design costs, construction overheads and other related costs. Assets under construction are not depreciated.

7. Summary of significant accounting policies (continued)

(c) Investment properties

Investment property comprises of a land plot or a building or a part of a building held to earn rental income and/or for capital appreciation and property that is being constructed or developed for future use as investment property (investment property under construction).

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value. Any gain or loss arising from a change in the fair value of investment property is recognized in the profit or loss for the year in which it arose, after accounting for the related impact on deferred tax.

(i) Completed Investment properties

Investment properties are stated at fair value according to the fair value model, which reflects market conditions at the reporting date

Completed investment properties were externally valued by independent appraisers as of 31 December 2019 based on open market values. Completed properties are either valued on the basis of discounted cash flow or - as deemed appropriate – on basis of the Income capitalisation or yield method.

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

7. Summary of significant accounting policies (continued)

(ii) Investment property under construction

The Group revalues IPUC, for which a substantial part of the development risks have been eliminated. IPUC, for which this is not the case, are presented at the lower of cost or recoverable amount.

Land is reclassified to IPUC at the moment, at which active development of this land begins.

The Group has adopted the following criteria to assess whether the substantial risks are eliminated with regard to particular IPUC:

- agreement with general contractor is signed;
- building permit is obtained;
- at least 20% of the rentable area is leased to tenants (based on the signed lease agreements and letter of intents).

The fair values of IPUC were determined, as at their stage at the end of the reporting period. Valuations were performed in accordance with RICS and IVSC Valuation Standards using either the residual method approach, DCF or sales comparison approach, as deemed appropriate by the valuer. Each IPUC is individually assessed.

The future assets' value is estimated based on the expected future income from the project, using yields that are higher than the current yields of similar completed property. The remaining expected costs to completion are deducted from the estimated future assets value.

For projects where the completion is expected in the future, also a developer profit margin of unexecuted works, was deducted from the value.

(d) Hierarchy of investment property

Fair value hierarchy is based on the sourced of input used to estimate the fair value:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

All investment properties are categorized in Level 2 or Level 3 of the fair value hierarchy.

The Group considered all investment value under construction carried at fair value as properties categorized in Level 3.

The Group considered completed investment properties as properties categorize in Level 2 or Level 3, based on the liquidity in the market it operates.

7. Summary of significant accounting policies (continued)

(e) Investment in associates

Investment in associates is accounted for under the equity method. The investment is carried in the statement of financial position at cost plus post acquisition changes in the Group share of net assets of the associate.

(f) Investment in joint ventures

Investment in joint ventures is accounted for under the equity method. The investment is carried in the statement of financial position at cost plus post acquisition changes in the Group share of net assets of the joint ventures.

(g) Lease origination costs

The costs incurred to originate a lease (mainly brokers' fees) for available rental space are added to the carrying value of investment property until the date of revaluation of the related investment property to its fair value. If as of the date of revaluation carrying value is higher than fair value the costs recognized in the profit or loss.

(h) Non-current assets held for sale

Non-current assets and their disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This requirement can be fulfilled only if the occurrence of a sale transaction is highly probable, and the item of assets is available for immediate sale in its present condition. The classification of an asset as held for sale assumes the intent of entity's management to realise the transaction of sale within one year from the moment of asset classification to the held for sale category. Non-current assets held for sale are measured at the lower of their carrying amount and fair value, less costs to sell.

(i) Advances received

Advances received (related to pre-sales of residential units) are deferred to the extent that they are not reflected as revenue as described below in note 7(j).

(j) Rental revenue

Rental revenues result from operating leases and are recognised as income over the lease term on a straight-line basis.

(k) Interest and dividend income

Interest income is recognised on an accrual basis using the effective interest method that is the rate that exactly discounts estimated future cash flows through the expected life of financial instruments to the net carrying amount of the underlying financial asset or liability.

Dividend income is recognised when the shareholders' right to receive payments is established.

7. Summary of significant accounting policies (continued)

(l) Contract revenue and costs recognition

Group has the following revenue stream:

- **Rental income.** The main source of income of the Group, which is charged to tenants on monthly basis, based on rent fee rate, agreed in contract.
- **Service charge** represents income from charging of maintenance costs (cleaning, security costs, management fee etc.) to tenants. Service charge is billed on monthly basis, based on service fee rate, agreed in Contract, which represents the best estimate for particular project. Allocation of service charge to tenants is done based on leased area.

  Heating, water and sewage are billed separately on monthly basis, based on leased area and rates, agreed in contract.

Service charge revenue under IFRS 15.

Service charge revenue is recognised under IFRS 15 when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Group recognizes two kind of performance obligations in the Group:

- **Acting as an agent.** Some tenants install counters for electricity. In this case the invoices for electricity are billed through GTC entities and addressed to the tenants directly. The Group recognizes cost and corresponding income at the same amount. For financial statement purpose such income and expenses are disclosed on net basis, as GTC acts as an agent.
- **Acting as a principal.** In the other cases, all service charges are billed to GTC entities on monthly basis. The Group bills the tenants based on the rates in the contract on monthly basis. By the end of the year, the Group does reconciliation of actual service charges costs vs. billed one, and then bill for deficit or return the overpayment to the tenant if it is required. For financial statement purpose such expenses are disclosed on gross basis, as GTC acts as an principal.

7. Summary of significant accounting policies (continued)

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

(n) Share issuance expenses

Share issuance costs are deducted from equity (share premium), net of any related income tax benefits.

(o) Income taxes & other taxes

The current provision for corporate income tax for the Group companies is calculated in accordance with tax regulations ruling in particular country of operations and is based on the profit or loss reported under relevant tax regulations.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

7. Summary of significant accounting policies (continued)

Deferred tax assets and liabilities are measured using the tax rates enacted to taxable income in the years in which these temporary differences are expected to be recovered or settled.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which each company of the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

At each reporting date, the Group companies re-assess unrecognised deferred tax assets and the carrying amount of deferred tax assets. The companies recognise a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The companies conversely reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset that might be utilised.

Deferred tax relating to items recognised outside profit and loss is also recognized outside profit and loss: under other comprehensive income if relates to items recognised under other comprehensive income, or under equity – if relates to items recognized in equity.

Deferred tax assets and deferred tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes that are levied by the same taxation authority.

Revenues, expenses and assets are recognized net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- receivables and payables, which are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

If according to the Group's assessment it is probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Group determines taxable income (tax loss), tax base, unused tax losses and unused tax credits and tax rates, after considering in its tax return the applied or planned approach to taxation.

If the Group ascertains that it is not probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Group reflects the impact of this uncertainty in determining taxable income (tax loss), unused tax losses, unused tax credits or tax rates. The Group accounts for this effect using the following methods:

- determining the most probable amount – it is a single amount from among possible results; or
- providing the expected amount – it is the sum total of the amounts weighted by probability from among possible results.

(in thousands of Euro)

7. Summary of significant accounting policies (continued)

(p) Foreign exchange differences

For companies with Euro as functional currency, transactions denominated in a foreign currency (including Polish Zloty) are recorded in Euro at the actual exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are revalued at period-end using period-end exchange rates. Foreign currency translation differences are charged to the income statement. The following exchange rates were used for valuation purposes in cases where certain lease is denominated in local currency.

	31 December 2019	31 December 2018
PLN/EURO	4.2585	4.3000
HUF/EURO	330.50	320.98
EUR/USD	1.1112	1.1383

(q) Interest bearing loans and borrowings and debt securities

All loans and borrowings and debt securities are initially recognized at fair value, net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings and debt securities are measured at amortised cost using the effective interest rate method, except for liabilities designated as hedged items, which are measured in accordance with hedge accounting policies, as described in Note 7 (w).

Debt issuance expenses are deducted from the amount of debt originally recognised. These costs are amortised through the income statement over the estimated duration of the loan, except to the extent that they are directly attributable to construction. Debt issuance expenses represent an adjustment to effective interest rates.

Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

7. Summary of significant accounting policies (continued)

(r) Financial instruments – initial recognition and subsequent measurement

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

Financial assets

Initial recognition and measurement

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

7. Summary of significant accounting policies (continued)

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

The Group's financial assets at amortised cost include trade receivables, loans to associate and short-term deposits under current financial assets.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

  And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group does not have such debt instruments.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group does not have such equity instruments.

7. Summary of significant accounting policies (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group does not have such instruments.

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

7. Summary of significant accounting policies (continued)

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

This category applies to interest-bearing loans and borrowings.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

The table below presents the categorisation of financial assets and liabilities: Item, Category, and Measurement.

Item	Category	Measurement
	Financial assets/liabilities	
Cash and short-term deposits	Financial assets at amortised cost	Amortised cost
Debtors	Financial assets at amortised cost	Amortised cost
Trade and other payables	Financial liabilities at amortised cost	Amortised cost
Long and short term borrowings	Loans and borrowings	Amortised cost
Deposits from tenants	Financial liabilities at amortised cost	Amortised cost
Long term payables	Financial liabilities at amortised cost	Amortised cost
Interest Rate Swaps	Hedging (cash flow hedges)	Fair value – adjusted to other comprehensive income (effective portion) / adjusted to income statements (ineffective portion)
Cap	Financial liabilities at fair value through profit or loss	Fair value – adjusted to profit and loss
Forex forward	Financial liabilities at fair value through profit or loss	Fair value – adjusted to profit and loss

(s) Cash and cash equivalents

Cash comprises cash on hand and on-call deposits. Cash equivalents are short-term highly liquid investments that readily convert to a known amount of cash and which are subject to insignificant risk of changes in value.

7. Summary of significant accounting policies (continued)

(t) Accounts receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section *r) Financial instruments – initial recognition and subsequent measurement*. The carrying amount of accounts receivables is equal to its fair value.

(u) Impairment of non-current assets

The carrying value of assets is periodically reviewed by the Management Board to determine whether impairment may exist. In particular, the Management Board assessed whether the impairment indicators exist. Based upon its most recent analysis management believes that any material impairment of assets that existed at the reporting date, was reflected in these financial statements.

(v) Purchase of shares of non-controlling interest

If the Group increases its share in the net assets of its controlled subsidiaries the difference between the consideration paid/payable and the carrying amount of non-controlling interest is recognised in equity attributable to equity holders of the parent.

(w) Derivatives financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps and cap, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently premeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Before 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

7. Summary of significant accounting policies (continued)

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

There is ‘an economic relationship’ between the hedged item and the hedging instrument.

- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point of time, any cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

For derivatives that do not qualify for hedge accounting, any gain or losses arising from changes in fair value are recorded directly to net profit and loss of the year.

The fair value of FX forwards interest rate swaps and caps contracts is determined by reference to market values for similar instruments.

(x) Estimations

The preparation of financial statements in accordance with International Financial Reporting Standards requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at balance date. The actual results may differ from these estimates.

Investment property represents property held for long-term rental yields. Investment property is carried at fair value which is established at least annually by an independent registered valuer based on discounted projected cash flows from the investment property using the discounts rates applicable for the local real estate market and updated by the Management judgment. The changes in the fair value of investment property are included in the profit or loss for the period in which it arises.

The Group uses estimates in determining the amortization rates used.

The fair value of financial instruments for which no active market exists is assessed by means of appropriate valuation methods. In selecting the appropriate methods and assumptions, the Group applies professional judgment.

7. Summary of significant accounting policies (continued)

The Group recognises deferred tax asset based on the assumption that taxable profits will be available in the future against which the deferred tax asset can be utilised. Deterioration of future taxable profits might render this assumption unreasonable.

(y) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgments:

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Significant accounting judgements related to investment property under construction are presented in note 7 (c) (ii).

The Group classifies its residential inventory to current or non-current assets, based on their development stage within the business operating cycle. The normal operating cycle most cases falls within period of 1-5 years. Residential projects, which are active, are classified as current inventory. Residential projects which are planned to be completed in a period longer than the operating cycle are classified as residential landbank under non-current assets.

On the basis of the assessment made, the Group has reclassified part of inventory from current assets to residential landbank in non–current assets.

The Group determines whether a transaction or other event is a business combination by applying the definition of business in IFRS 3.

Deferred tax with respect to outside temporary differences relating to subsidiaries was calculated based on estimated probability that these temporary differences will be realized in the foreseeable future.

The Group also makes assessment of probability of realization of deferred tax asset. If necessary, the Group decreases deferred tax asset to the realizable value.

The Group uses judgements in determining the settlement of share based payment in cash.

(z) Basis of Consolidation

The consolidated financial statements comprise the financial statements of GTC and the financial statements of its subsidiaries for the year ended 31 December 2019.

The financial statements of the subsidiaries are prepared for the same reporting period as those of the parent company, using consistent accounting policies, and based on the same accounting policies applied to similar business transactions and events. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee.

The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

7. Summary of significant accounting policies (continued)

Thus, the Group controls an investee if and only if it has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All significant intercompany balances and transactions, including unrealised gains arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless they indicate impairment.

(aa) Provisions

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

(ab) Share-based payment transactions

Amongst others, GTC remunerates key personnel by granting them rights for payments based on GTC's share price performance in PLN, in exchanges for their services ("Phantom shares").

The cost of the phantom shares is measured initially at fair value at the grant date. The liability is re-measured to fair value at each reporting date up and including the settlement date, with changes in fair value recognised in administration expenses. Phantom shares are vested in annual tranches during the work/service period. Expenses are recognised in a straight line basis over the vesting period.

(ac) Earnings per share

Earnings per share for each reporting period is calculated as quotient of the profit for the given reporting period and the weighted average number of shares outstanding in that period.

(ad) Short term deposits

Short-term deposits include deposits related to loan agreements, and other contractual commitments and can be used only for certain operating activities as determined by underlying agreements. Deposits related to loan agreements can be used anytime (for the defined purposes upon approval of the lender), as so, they are presented within current assets.

(ae) Deposits from tenants

Deposits from tenants include deposits received from tenants to secure the obligation of the tenants towards the landlord. The deposits are refundable in the end of the lease.

(af) Residential inventory and residential landbank

Inventory relates to residential projects under construction is stated at the lower of cost and net realisable value. The realisable value is measured using the Discounted Cash Flow method, or Comparison method. Costs relating to the construction of a residential project are included in inventory.

Commissions paid to sales or marketing agents on the sale of real estate units, which are not refundable, are expensed in full when the contract to sell is secured.

The Group classifies its residential inventory to current or non-current assets, based on their development stage within the business operating cycle. The normal operating cycle in most cases falls within period of 1-5 years. Residential projects, which are active, are classified as current inventory. Residential projects which are planned to be completed in a period longer than the operating cycle are classified as residential landbank under non-current assets.

(ag) Leases

Leases where the Group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases.

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(in thousands of Euro)

8. Investment in Subsidiaries, Associates and Joint Ventures

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed below together with direct and indirect ownership of these entities, and voting rights proportion as at the end of each period (the table presents the effective stake):

Subsidiaries

Name	Holding Company	Country of incorporation	31 December 2019	31 December 2018
GTC Konstancja Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Korona S.A.	GTC S.A.	Poland	100%	100%
Globis Poznań Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Aeropark Sp. z o.o.	GTC S.A.	Poland	100%	100%
Globis Wrocław Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Satellite Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Neptune Gdansk Sp. z o.o. (4)	GTC S.A.	Poland	-	100%
GTC Sterlinga Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Karkonoska Sp. z o.o.(1)	GTC S.A.	Poland	100%	100%
GTC Ortal Sp. z o.o.	GTC S.A.	Poland	100%	100%
Diego Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Francuska Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC UBP Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Pixel Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Moderna Sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Handlowe Wilanow Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Management Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Corius Sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Światowida Sp. z o.o.	GTC S.A.	Poland	100%	100%
Glorine investments Sp. z o.o.	GTC S.A.	Poland	100%	100%
Glorine investments Sp. z o.o. s.k.a.	GTC S.A.	Poland	100%	100%
GTC Galeria CTWA Sp. z o.o.	GTC S.A.	Poland	100%	100%
Artico Sp. z o.o	GTC S.A.	Poland	100%	100%
Julesberg Sp. z o.o. (1)	GTC S.A.	Poland	100%	100%
Jowett Sp. z o.o. (1)	GTC S.A.	Poland	100%	100%
GTC Hungary Real Estate Development Company Ltd. (“GTC Hungary”)	GTC S.A.	Hungary	100%	100%
GTC Duna Kft.	GTC Hungary	Hungary	100%	100%
Vaci Ut 81-85 Kft.	GTC Hungary	Hungary	100%	100%
Riverside Apartmanok Kft. (“Riverside”) (1)	GTC Hungary	Hungary	100%	100%
Centre Point I. Kft. (“Centre Point I”)	GTC Hungary	Hungary	100%	100%
Centre Point II. Kft.	GTC Hungary	Hungary	100%	100%
Spiral I.Kft.	GTC Hungary	Hungary	100%	100%
Spiral II Hungary. Kft.(3)	GTC Hungary	Hungary	-	100%
River Loft Apartmanok Ltd. (2)	GTC Hungary	Hungary	-	100%
SASAD Resort Kft. (“Sasad”)	GTC Hungary	Hungary	100%	100%
Albertfalva Üzletközpont Kft. (“formerly Szeremi Gate”)	GTC Hungary	Hungary	100%	100%
GTC Metro Kft.	GTC Hungary	Hungary	100%	100%
Kompakt Land Kft	GTC Hungary	Hungary	100%	100%
GTC White House Kft. (“formerly GTC Renaissance Plaza Kft.”)	GTC Hungary	Hungary	100%	100%
VRK Tower Kft	GTC Hungary	Hungary	100%	100%
Amarantan Ltd.	GTC Hungary	Hungary	100%	100%

(1) Under liquidation

(2) Liquidated

(3) Merged into Centre Point I Kft

(4) Sold

(in thousands of Euro)

8. Investment in Subsidiaries, Associates and Joint Ventures (continued)

Name	Holding Company	Country of incorporation	31 December 2019	31 December 2018
GTC Nekretnine Zagreb d.o.o.("GTC Zagreb")	GTC S.A.	Croatia	100%	100%
Euro Structor d.o.o.	GTC S.A.	Croatia	70%	70%
Marlera Golf LD d.o.o.	GTC S.A.	Croatia	80%	80%
Nova Istra Idaeus d.o.o.	Marlera Golf LD d.o.o	Croatia	80%	80%
GTC Matrix d.o.o.	GTC S.A.	Croatia	100%	100%
GTC Seven Gardens d.o.o.	GTC S.A.	Croatia	100%	100%
Towers International Property S.R.L.	GTC S.A.	Romania	100%	100%
Galleria Shopping Center S.R.L. (formerly "International Hotel and Tourism S.R.L.") (1)	GTC S.A.	Romania	-	100%
Green Dream S.R.L.	GTC S.A.	Romania	100%	100%
Aurora Business Complex S.R.L (3)	GTC S.A.	Romania	100%	71.5%
Cascade Building S.R.L	GTC S.A.	Romania	100%	100%
City Gate Bucharest S.R.L.	GTC S.A.	Romania	100%	100%
Mablethompe Investitii S.R.L. (2)	GTC S.A.	Romania	-	100%
Venus Commercial Center S.R.L.	GTC S.A.	Romania	100%	100%
Beaufort Invest S.R.L.	GTC S.A.	Romania	100%	100%
Fajos S.R.L.	GTC S.A.	Romania	100%	100%
City Gate S.R.L.	GTC S.A.	Romania	100%	100%
City Rose Park SRL (previously Complexul Residential Colentina S.R.L.)	GTC S.A.	Romania	100%	100%
Deco Intermed S.R.L.	GTC S.A.	Romania	66.7%	66.7%
GML American Regency Pipera S.R.L.	GTC S.A.	Romania	66.7%	66.7%

(1) Sold

(2) Liquidated

(3) NCI share was aquired

(in thousands of Euro)

8. Investment in Subsidiaries, Associates and Joint Ventures (continued)

Name	Holding Company	Country of incorporation	31 December 2019	31 December 2018
NRL EAD	GTC S.A.	Bulgaria	100%	100%
Advance Business Center EAD	GTC S.A.	Bulgaria	100%	100%
GTC Yuzhen Park EAD ("GTC Yuzhen")	GTC S.A.	Bulgaria	100%	100%
Dorado 1 EOOD	GTC S.A.	Bulgaria	100%	100%
GTC Medj Razvoj Nekretnina d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
GTC Business Park d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Commercial and Residential Ventures d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Demo Invest d.o.o. Novi Beograd	GTC S.A.	Serbia	100%	100%
Atlas Centar d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Commercial Development d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Glamp d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
GTC BBC d.o.o	GTC S.A.	Serbia	100%	100%
Europort Investment (Cyprus) 1 Limited	GTC S.A.	Cyprus	100%	100%
Europort Ukraine Holdings 1 LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Ukraine LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Project Ukraine 1 LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%

Investment in Associates and Joint Ventures

Name	Holding Company	Country of incorporation	31 December 2019	31 December 2018
CID Holding S.A. ("CID") (1)	GTC S.A.	Luxembourg	-	35%

(1) Liquidated

9. Events in the period

Completion of investments

In April 2019, GTC Group has completed the construction of office building (Green Heart N2) in Belgrade.

In May 2019, GTC Group has completed the construction of shopping centre (Ada Mall) in Belgrade.

In June 2019, GTC Group has completed the construction of office building (ABC I) in Sofia.

In July 2019, GTC Group has completed the construction of office building (Matrix I) in Zagreb.

In July 2019, GTC Group has completed the construction of office building (Green Heart N1) in Belgrade.

Issuance of bonds and refinance

In December 2018, the Group repaid the loan for Artico office building in the amount of Euro 12.9 million and signed new loan agreement for the refinancing Artico office building in the amount of Euro 14.6 million with PKO BP. The loan was drawn in January 2019.

In March 2019, the Group and UniCredit signed a new loan agreement in the amount of Euro 20 million (including Euro 3.5 million top up after completion, subject to agreed conditions), for the construction of ABC II.

In March 2019, the Group refinanced Fortyone offices in Belgrade. The total loan amounted to Euro 40 million.

In April 2019, the Company issued new bonds denominated in Euro with a total amount of Euro 9.4 million to be repaid in April 2022.

In July 2019, the Group and OTP signed a loan agreement, which refinanced the existing loan of Duna Tower and Center Point in Budapest with a top-up of Euro 27 million, to a total of Euro 93 million.

In August 2019, the Group and Erste signed a new loan agreement to finance the construction of Matrix II, in the amount of Euro 11.7 million construction that was increased by Euro 2.8 million in 2020.

In September 2019, the Group and Santander signed a loan agreement, which refinanced the existing loan of Globis Poznan with a top-up of Euro 3 million, to a total of Euro 17.7 million.

In October 2019, the Group and Erste signed a loan agreement, which refinanced the existing loan of GTC House with a top-up of Euro 4 million, to a total of Euro 15.6 million.

In November 2019, the Group and Berlin Hyp signed a loan agreement, which refinanced the existing loan of UBP with a top-up of Euro 17.1 million, to a total of Euro 43.5 million.

In November 2019, the Company issued new bonds denominated in PLN with a total amount of PLN 220 million to be repaid in in three equal tranches from November 2022 to November 2023. The Company hedged the bonds. The liability was swapped into Euro with a fixed interest rate.

9. Events in the period (continued)

Sale of Assets

In September 2019, the Group sold GTC White House office building in Budapest for a total amount of Euro 70.7 million and the bank loan related to this investment was fully repaid.

In November 2019, the Company signed agreement for the sale of the company that holds Neptun Office Center, Gdansk (see note 17). The value of the building for the purpose of transaction was Euro 44.2 million. The bank loan in the amount of Euro 19.9 million was fully repaid before the sale.

Distribution of dividend

In May 2019, the Company’s shareholders adopted a resolution regarding distribution of dividend in the amount of PLN 178.9 million (Euro 41.6 million). In June 2019, the Company issued 2,018,126 series N Shares to the Company’s shareholders who elected to receive the dividend in shares (Euro 4 million), and paid dividend in cash in the amount of Euro 37.7 million to the remaining shareholders.

(in thousands of Euro)

10. Revenue from operations

Rental income includes rental revenue based on tenants' turnover for the year ended 31 December 2019 of Euro 2,450 thousand (2018: Euro 1,890 thousand). The remaining revenue is based on fixed contractual rental fees.

The Group has entered into various operational lease contracts on its property portfolio in Poland, Romania, Croatia, Serbia, Bulgaria and Hungary. The commercial property leases typically include clauses to enable periodic upward revision of the rental charge according to European CPI.

Future minimum rental receivables under operating leases from completed projects are, as follows (in **millions** of Euro):

	31 December 2019	**31 December 2018**
Within 1 year	130	122
After 1 year, but not more than 5 years	294	271
More than 5 years	22	23
	446	**416**

The majority of revenue from operations is earned predominantly on the basis of amounts denominated in, directly linked to or indexed by reference to the Euro.

Service charge revenue includes income from charging of maintenance costs to tenants. Service charge is billed on monthly basis, based on the agreed rate from the contract.

11. Selling expenses

Selling expenses comprise of the following:

	Year ended 31 December 2019	**Year ended 31 December 2018**
Advertising and marketing	606	848
Payroll and related expenses	1,411	1,300
	2,017	**2,148**

(in thousands of Euro)

12. Administration expenses

Administration expenses comprise of the following:

	Year ended 31 December 2019	Year ended 31 December 2018
Remuneration and fees (*)	12,701	6,872
Audit and valuations	819	1,041
Legal and tax advisers	1,633	1,057
Office and insurance expenses	731	924
Travel expenses	448	430
Supervisory board remuneration fees	105	98
Depreciation	660	558
Investors relations and other expenses	400	467
Total before share based payment	**17,497**	**11,447**
Share based payment (*)	(3,087)	(1,211)
Total	**14,410**	**10,236**

(*) Phantom shares in an amount of Euro 5.9 million were exercised during the year.

13. Financial income and financial expense

Financial income comprise of the following:

	Year ended 31 December 2019	Year ended 31 December 2018
Interest on deposits and other	115	130
Interest on loan granted to non-controlling interest	265	246
	380	**376**

Financial expense comprise of the following:

	Year ended 31 December 2019	Year ended 31 December 2018
Interest expenses (on financial liabilities that are not fair valued through profit or loss) and other charges	(30,541)	(27,925)
Change in fair value of financial instruments	-	396
Finance costs related to lease liability	(2,100)	-
Amortization of loan raising costs	(1,993)	(2,655)
	(34,634)	**(30,184)**

The average interest rate (including hedges) on the Group's loans as of 31 December 2019 was 2.6% p.a. (2.7% p.a. as of 31 December 2018).

(in thousands of Euro)

14. Segmental analysis

The operating segments are aggregated into reportable segments, taking into consideration the nature of the business, operating markets and other factors. GTC operates in six core markets: Poland, Budapest, Bucharest, Belgrade, Sofia, and Zagreb.

Operating segments are divided into geographical zones, which have common characteristics and reflect the nature of management reporting structure:

a. Poland
b. Belgrade
c. Budapest
d. Bucharest
e. Zagreb
f. Sofia
g. Other

Segment analysis of rental income and costs for the year ended 31 December 2019 and 31 December 2018 is presented below:

	Year ended 31 December 2019			Year ended 31 December 2018		
Portfolio	**Revenues**	**Costs**	**Gross margin**	**Revenues**	**Costs**	**Gross margin**
Poland	75,793	(20,499)	55,294	78,531	(24,530)	54,001
Belgrade	29,542	(6,658)	22,884	19,619	(4,251)	15,368
Budapest	24,195	(5,792)	18,403	21,827	(5,166)	16,661
Bucharest	17,497	(3,103)	14,394	17,350	(3,594)	13,756
Zagreb	11,624	(3,893)	7,731	10,990	(3,736)	7,254
Sofia	11,111	(1,931)	9,180	5,644	(1,101)	4,543
Total	**169,762**	**(41,876)**	**127,886**	**153,961**	**(42,378)**	**111,583**

(in thousands of Euro)

14. Segmental analysis (continued)

Segment analysis of assets and liabilities as of 31 December 2019 is presented below:

	Real estate	Cash and deposits	Other	Total assets	Loans, bonds and leases	Deferred tax liability	Other	Total liabilities
Poland	978,398	38,399	5,062	**1,021,859**	516,539	70,600	10,506	**597,645**
Belgrade	404,219	18,427	5,625	**428,271**	216,805	13,570	19,545	**249,920**
Budapest	326,832	20,364	4,705	**351,901**	126,524	14,090	5,756	**146,370**
Bucharest	219,271	10,578	1,941	**231,790**	110,272	12,844	4,793	**127,909**
Zagreb	160,366	4,305	12,326	**176,997**	58,710	17,538	7,161	**83,409**
Sofia	166,070	8,825	1,733	**176,628**	79,321	8,940	5,360	**93,621**
Other	12,029	20	15	**12,064**	-	-	1,184	**1,184**
Non allocated		122,886	346	**123,232**	151,249	9,650	3,123	**164,022**
Total	**2,267,185**	**223,804**	**31,753**	**2,522,742**	**1,259,420**	**147,232**	**57,428**	**1,464,080**

Segment analysis of assets and liabilities as of 31 December 2018 is presented below:

	Real estate	Cash and deposits	Other	Total assets	Loans and bonds	Deferred tax liability	Other	Total liabilities
Poland	1,003,436	13,557	6,544	**1,023,537**	493,664	72,078	16,555	**582,297**
Belgrade	359,089	11,984	2,468	**373,541**	142,242	14,279	17,486	**174,007**
Budapest	354,760	14,096	1,269	**370,125**	113,132	11,304	11,855	**136,291**
Bucharest	214,450	13,030	6,176	**233,656**	109,685	11,082	9,955	**130,722**
Zagreb	136,424	3,995	11,029	**151,448**	48,000	16,776	8,896	**73,672**
Sofia	128,547	3,920	1,665	**134,132**	64,044	7,213	3,225	**74,482**
Other	10,910	11	-	**10,921**	-	-	1,184	**1,184**
Non allocated		58,972	592	**59,564**	150,951	6,388	6,135	**163,474**
Total	**2,207,616**	**119,565**	**29,743**	**2,356,924**	**1,121,718**	**139,120**	**75,291**	**1,336,129**

(in thousands of Euro)

15. Taxation

The major components of tax expense are as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Current corporate and capital gain tax expense	7,132	6,450
Previous year's tax	-	60
Deferred tax expense / (income)	9,633	7,428
	16,765	**13,938**

The Group companies are subject to taxes in the following jurisdictions: Poland, Serbia, Romania, Hungary, Ukraine, Bulgaria, Cyprus, and Croatia. The Group does not constitute a tax group under local legislation. Therefore, every company in the Group is a separate taxpayer.

The reconciliation between tax expense and accounting profit multiplied by the applicable tax rates is presented below:

	Year ended 31 December 2019	Year ended 31 December 2018
Accounting profit before tax	92,186	105,958
Taxable expenses at the applicable tax rate in each country of activity	**11,778**	**15,410**
Tax effect of expenses that are not deductible in determining taxable profit	1,738	3,355
Commercial property tax	764	-
Tax effect of foreign currency differences	(1,633)	2,441
Withholding tax	190	664
Previous year's tax	-	60
Unrecognised deferred tax asset on losses in current year	3,928	-
Unrecognised deferred tax asset in previous years	-	(6,765)
Impairment of assets	-	(2,340)
Other	-	1,113
Tax expense / (income)	**16,765**	**13,938**

(In thousands of Euro)

15. Taxation (continued)

The components of the deferred tax balance were calculated at a rate applicable when the Group expects to recover or settle the carrying amount of the asset or liability.

Net deferred tax assets comprise the following:

	As of 1 January 2018	Credit / (charge) to income statement	As of 31 December 2018	Credit / (charge) to income statement	As of 31 December 2019
Financial instruments (*)	**3,948**	354	**4,302**	998	**5,300**
Tax loss carried forwards	**10,519**	3,137	**13,656**	(3,459)	**10,197**
Basis differences in non-current assets	**-**	140	**140**	884	**1,024**
Accruals	**446**	264	**710**	79	**789**
Netting (**)	**(14,913)**	(3,843)	**(18,756)**	1,446	**(17,310)**
Net deferred tax assets	**-**	**52**	**52**	**(52)**	**-**

Net deferred tax liability comprises of the following:

	As of 1 January 2018	Acquisition of subsidiary	Credit / (charge) to income statement	Credit / (charge) to equity	As of 31 December 2018	Disposal of subsidiary	Credit / (charge) to income statement	Credit / (charge) to equity	As of 31 December 2019
Financial instruments (*)	**(8,331)**	(17)	(1,538)	447	**(9,439)**	(416)	(4,930)	10	**(14,775)**
Basis differences in non-current assets	**(132,320)**	(6,243)	(9,873)	-	**(148,436)**	1,875	(3,187)	-	**(149,748)**
Other	**(89)**	-	88	-	**(1)**		(18)	-	**(19)**
Netting (**)	**14,913**	-	3,843	-	**18,756**		(1,446)	-	**17,310**
Net deferred tax liability	**(125,827)**	**(6,260)**	**(7,480)**	**447**	**(139,120)**	**1,459**	**(9,581)**	**10**	**(147,232)**

(*) Mostly, unrealized interest and foreign exchange differences,
(**) within a particular company, deferred tax asset are accounted separately from deferred tax liabilities as they are independent in their nature. However, as they represent a future settlement between the same parties, they are netted off for the purpose of the presentation in financial statements.

(In thousands of Euro)

15. Taxation (continued)

The enacted tax rates in the various countries were as follows:

Tax rate	**Year ended 31 December 2019**	**Year ended 31 December 2018**
Poland	19%	19%
Hungary	9%	9%
Ukraine	18%	18%
Bulgaria	10%	10%
Serbia	15%	15%
Croatia	18%	18%
Russia	20%	20%
Romania	16%	16%
Cyprus	12.5%	12.5%

Future benefit for deferred tax assets have been reflected in these consolidated financial statements only if it is probable that taxable profits will be available when timing differences that gave rise to such deferred tax asset reverse.

Regulations regarding VAT, corporate income tax and social security contributions are subject to frequent changes. These frequent changes result in there being little point of reference, inconsistent interpretations not consistent and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies. Tax settlements and other areas of activity (e.g. customs or foreign currency related issues) may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in Poland than in countries that have a more established taxation system.

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

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

Tax settlements may be subject to inspections by tax authorities. Accordingly the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

The Group companies have tax losses carried forward as of 31 December 2019 available in the amount of Euro 315 million. The expiry dates of these tax losses as of 31 December 2019 are as follows: within one year - Euro 27 million, between 2-5 years - Euro 142 million, afterwards – Euro 146 million.

(in thousands of Euro)

16. Property, Plant and Equipment

The movement in property, plant and equipment for the periods ended 31 December 2019 and 31 December 2018 was as follows:

	Buildings and related improvements	Right of use	Equipment and software	Vehicles	Total
Gross carrying amount					
As of 1 January 2019	**6,212**	**-**	**1,531**	**976**	**8,719**
Additions	-	286	354	251	891
Transfer from investment property	2,347	-	-	-	2,347
Transfer to investment property	(1,008)	-	-	-	(1,008)
Disposals, impairments and other decreases		-	(84)	(293)	(377)
As of 31 December 2019	**7,551**	**286**	**1,801**	**934**	**10,572**
Accumulated Depreciation					
As of 1 January 2019	**555**	**-**	**1,091**	**361**	**2,007**
Charge for the period	274	37	129	220	660
Transfer to investment property	(43)	-	-	-	(43)
Disposals, impairments and other decreases		-	(12)	(199)	(211)
As of 31 December 2019	**786**	**37**	**1,208**	**382**	**2,413**
Net book value as of 31 December 2019	**6,765**	**249**	**593**	**552**	**8,159**

	Buildings and related improvements	Equipment and software	Vehicles	Total
Gross carrying amount				
As of 1 January 2018	**6,205**	**1,350**	**816**	**8,371**
Additions	7	204	281	492
Disposals, impairments and other decreases	-	(23)	(121)	(144)
As of 31 December 2018	**6,212**	**1,531**	**976**	**8,719**
Accumulated Depreciation				
As of 1 January 2018	**301**	**922**	**301**	**1,524**
Charge for the period	254	184	120	558
Disposals, impairments and other decreases	-	(15)	(60)	(75)
As of 31 December 2018	**555**	**1,091**	**361**	**2,007**
Net book value as of 31 December 2018	**5,657**	**440**	**615**	**6,712**

(in thousands of Euro)

17. Investment Property

Investment properties that are owned by the Group are office and commercial space, including property under construction:

Investment property can be split up as follows:

	31 December 2019	31 December 2018
Completed investment property	2,003,188	1,791,910
Investment property under construction	84,080	190,051
Investment property landbank at cost	115,277	131,107
Right of use of lands under perpetual usufruct	44,485	-
Total	**2,247,030**	**2,113,068**

The movement in investment property for the periods ended 31 December 2019 and 31 December 2018 was as follows:

	Right of Use of land	Level 2	Level 3 and cost	Total
Carrying amount as of 1 January 2018	**-**	**1,381,290**	**555,551**	**1,936,841**
Hierarchy level reclassification	-	30,300	(30,300)	-
Capitalised subsequent expenditure	-	30,582	82,524	113,106
Purchase of completed buildings	-	6,799	9,649	16,448
Purchase of subsidiaries holding land plots	-	-	96,784	96,784
Adjustment to fair value / (impairment)	-	107	40,018	40,125
Land Disposals	-	-	(11,694)	(11,694)
Classified to assets held for sale	-	(70,000)	(6,884)	(76,884)
Foreign exchange differences	-	(1,761)	103	(1,658)
Carrying amount as of 31 December 2018	**-**	**1,377,317**	**735,751**	**2,113,068**
Capitalised subsequent expenditure		13,745	113,445	127,190
Recognition of right of use of lands under perpetual usufruct	45,362	-	-	45,362
Adjustment to fair value / (impairment)		1,246	14,559	15,805
Amortization of right of use of lands under perpetual usufruct	(441)	-	-	(441)
Classified to assets for own use, net		(899)	(301)	(1,200)
Disposals	(712)	(43,973)	(7,050)	(51,735)
Foreign exchange differences	276	(1,339)	44	(1,019)
Carrying amount as of 31 December 2019	**44,485**	**1,346,097**	**856,448**	**2,247,030**

(in thousands of Euro)

17. Investment Property (continued)

Reconciliation between capitalized subsequent expenditure and paid subsequent expenditure is presented below:

	Year ended 31 December 2019	**Year ended 31 December 2018**
Capitalized subsequent expenditure	**127,190**	**113,106**
Change in trade payables and provisions	14,148	784
Change in trade receivables	4,555	126
Accrued interest on long term loans	(1,205)	(1,554)
Paid subsequent expenditure	**144,688**	**112,462**

Fair value and impairment adjustment consists of the following:

	Year ended 31 December 2019	**Year ended 31 December 2018**
Adjustment to fair value of completed investment properties	(1,697)	(14,464)
Adjustment to fair value of investment properties under construction	16,652	52,252
Reversal of impairment/(Impairment) adjustment	850	2,337
Total adjustment to fair value / (impairment) of investment property	**15,805**	**40,125**
Reversal of impairment/(Impairment) of assets held for sale	1,437	-
Amortization of right of use of lands under perpetual usufruct (including on residential landbank)	(471)	-
Impairment of residential landbank	(581)	-
Total	**16,190**	**40,125**

(in thousands of Euro)

17. Investment Property (continued)

Assumptions used in the valuations of completed assets as of 31 December 2019 are presented below:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV	Fair Value Hierarchy Level
	'000 Euro	sqm	%	Euro/ sqm/m	Euro/ sqm/m	
Poland retail	497,370	113	94%	21.7	21.7	2
Poland office	398,888	196	92%	14.4	14.1	2
Belgrade office	263,081	117	98%	16.9	16.6	3
Belgrade retail	119,300	35	97%	20.8	21.5	3
Budapest office	259,419	125	97%	12.9	13.9	2
Bucharest office	190,418	67	96%	19.0	19.4	2
Zagreb retail	104,812	35	99%	20.7	20.1	3
Zagreb office	24,500	11	89%	13.3	14.6	3
Sofia office	36,800	16	99%	14.0	14.1	3
Sofia retail	108,600	33	98%	21.3	20.8	3
Total	**2,003,188**	**748**	**95%**	**17.0**	**17.0**	

Assumptions used in the valuations of completed assets as of 31 December 2018 are presented below:

Portfolio	Book value	GLA thousand	Average Occupancy	Actual Average rent	Average ERV (*)	Fair Value Hierarchy Level
	'000 Euro	sqm	%	Euro/ sqm/m	Euro/ sqm/m	
Poland retail	516,930	113	94%	21.1	22.0	2
Poland office	432,610	212	89%	14.2	14.1	2
Belgrade office	211,782	97	94%	16.0	16.5	3
Budapest office	237,740	126	98%	12.3	12.5	2
Bucharest office	190,036	67	94%	18.8	19.4	2
Zagreb retail	104,812	34	95%	20.6	20.3	3
Sofia retail	98,000	33	98%	19.8	20.4	3
Total	**1,791,910**	**682**	**93%**	**16.3**	**16.6**	

(*) ERV- Estimated Rent Value

(in thousands of Euro)

17. Investment Property (continued)

Information regarding investment properties under construction as of 31 December 2019 is presented below:

	Book value	**Estimated area (GLA)**
	'000 Euro	thousand sqm
Belgrade (Green Heart N3)	10,310	5
Sofia (ABC II)	20,670	18
Budapest (Pillar)	36,600	29
Zagreb (Matrix II)	16,500	11
Total	**84,080**	**63**

Information regarding investment properties under construction as of 31 December 2018 is presented below:

	Book value	**Estimated area (GLA)**
	'000 Euro	thousand sqm
Belgrade (Ada, Green Heart)	140,980	59
Sofia (ABC I, ABC II)	30,547	33
Zagreb (Matrix I, Matrix II)	18,524	21
Total	**190,051**	**113**

Information regarding book value of investment property landbank for construction as of 31 December 2019 and 31 December 2018 is presented below:

	31 December 2019	**31 December 2018**
	(audited)	(audited)
Poland	38,148	39,270
Serbia	7,052	5,510
Hungary	25,398	38,921
Romania	15,256	13,895
Croatia	14,097	12,600
Total	**99,951**	**110,196**

Information regarding book value of investment property landbank (long term pipeline) as of 31 December 2019 and 31 December 2018 is presented below:

	31 December 2019 (audited)	**31 December 2018** (audited)
Poland	7,969	12,351
Hungary	3,400	4,500
Bulgaria	1,900	1,800
Ukraine	2,057	2,260
Total	**15,326**	**20,911**
Grand Total	**115,277**	**131,107**

(in thousands of Euro)

18. Residential landbank

The movement in residential landbank and inventory for the period ended 31 December 2019 was as follows:

	Residential Inventory	Residential landbank	Total
Carrying amount as of 1 January 2018	**3,755**	**12,698**	**16,453**
Construction costs	113	-	113
Cost of units sold	(3,868)	-	(3,868)
Carrying amount as of 31 December 2018	**-**	**12,698**	**12,698**
Recognition of right of use	-	1,219	1,219
Amortization of right of use of lands under perpetual usufruct	-	(29)	(29)
Capitalised subsequent expenditure	-	81	81
Impairment of residential landbank	-	(581)	(581)
Carrying amount as of 31 December 2019	**-**	**13,388**	**13,388**

The carrying amount of residential landbank as of 31 December 2019 refers to two non-core land plots designated for residential development, in Marlera (Croatia) and in Bucharest.

19. Advances received

Advances received comprises the following amounts:

	31 December 2019	31 December 2018
Sale of investment properties landbank	-	3,817
Rental income received in advance	361	1,020
	361	**4,837**

(in thousands of Euro)

20. Derivatives

The Group holds instruments (IRS, Cap and currency forward) that hedge the risk involved in fluctuations of interest rate and currencies rates. The instruments hedge interest on loans for a period of 2-5 years

The movement in derivatives for the years ended 31 December 2019 and 31 December 2018 was as follows:

	31 December 2019	31 December 2018
Fair value as of beginning of the year	**(5,623)**	**(3,394)**
Charged to other comprehensive income	(462)	(2,625)
Charged to income statements	-	396
Fair value as of end of the year	**(6,085)**	**(5,623)**

For more information regarding derivatives, see note 37.

21. Trade and other payables

The balance of trade and other payables decreased from Euro 50.1 million to Euro 37.3 million in the year ended 31 December 2019.

The majority of the payables relates to development activity payables in Ada Mall, Green Heart, ABC, Pillar and Matrix. Amount is planned to be financed mostly by long term loans.

22. Short term deposits

Short-term deposits include deposits related to loan agreements, and other contractual commitments and can be used only for certain operating activities as determined by underlying agreements.

Short-term deposits related to contractual commitments include mostly tenants' deposit account, security account, capex accounts, and deposits in order to settle contractual commitments related to the construction of this project.

23. Cash and cash equivalents

Cash balance consists of cash in banks. Cash at banks earns interest at floating rates based on periodical bank deposit rates. Save for minor amount, all cash is deposited in banks.

All cash and cash equivalents are available for use by the Group.

24. Other expenses

Other expenses relate mainly to costs of undeveloped landbank, one-off expenses as well as unrecoverable VAT.

25. Deposits from tenants

Deposits from tenants represent amounts deposited by tenants to guarantee their performance of their obligations under tenancy agreements. Deposits from tenants that shall be returned within a year are presented within current liabilities.

26. Long term payables

Long term payables consist of long term commitments related with purchase of land and development of infrastructure.

27. VAT and other tax receivable

VAT and other tax receivable represent VAT receivable on the purchase of assets, and due to development activity.

28. Receivables related to expropriation of land

An amount of Euro 4.9 million was approved by the Romanian State to be paid to the Group as compensation for expropriated land in Bucharest and recognized as receivable as of December 31, 2018. The amount was paid to the Group on January 11, 2019.

(in thousands of Euro)

29. Non-controlling interest

Summarised financial information of the material non-controlling interest as of 31 December 2019 is presented below:

	Avenue Mall	Non-core projects	Total
Non-current assets	142,740	13,388	156,128
Current assets	3,268	92	3,360
Total assets	**146,008**	**13,480**	**159,488**
Equity	81,034	(37,992)	43,042
Non-current liabilities	61,711	51,225	112,936
Current liabilities	3,263	247	3,510
Total equity and liabilities	**146,008**	**13,480**	**159,488**
Revenue	10,953	-	10,953
Profit /(loss) for the year	4,546	(2,934)	1,612
NCI share in equity	**24,310**	**(10,270)**	**14,040**
Loan granted to NCI	**(10,976)**	**-**	**(10,976)**
NCI share in profit / (loss)	**1,364**	**(768)**	**596**

Summarised financial information of the material non-controlling interest as of 31 December 2018 is presented below:

	Avenue Mall	Non-core projects	Total
Non-current assets	139,625	12,698	152,323
Current assets	4,153	168	4,321
Total assets	**143,778**	**12,866**	**156,644**
Equity	77,917	(66,588)	11,329
Non-current liabilities	62,827	79,120	141,947
Current liabilities	3,034	334	3,368
Total equity and liabilities	**143,778**	**12,866**	**156,644**
Revenue	11,056	-	11,056
Profit /(loss) for the year	4,853	(2,360)	2,493
NCI share in equity	**23,375**	**(18,331)**	**5,044**
Loan granted to NCI	**(10,282)**	**-**	**(10,282)**
NCI share in profit / (loss)	**1,456**	**(638)**	**818**

In September 2019, the Company acquired the non-controlling interest in Aurora, Romania for Euro 1.

(in thousands of Euro)

30. Long-term loans and bonds

	31 December 2019	31 December 2018
Bonds mature in 2022-2023	52,140	-
Bonds mature in 2018-2019	-	15,799
Bonds 1019	-	28,959
Schuldschein 1219	-	15,023
Bonds 0320	18,671	18,673
Bonds 0620	40,070	40,070
Bonds 1220	10,117	10,117
Bonds 0321	20,737	20,737
Bonds 0422	9,515	-
Loan from OTP (GTC)	-	1,573
Loan from Santander (Globis Poznan)	17,579	15,084
Loan from Santander (Korona Business Park)	43,361	44,756
Loan from PKO BP (Pixel)	19,901	20,577
Loan from Santander (Globis Wroclaw)	22,061	22,754
Loan from ING (Nothus and Zephirus)	-	9,332
Loan from Berlin Hyp (Corius)	10,378	10,721
Loan from Pekao (Sterlinga)	15,663	16,188
Loan from Pekao (Neptun)	-	20,411
Loan from Pekao (Galeria Polnocna)	189,904	194,904
Loan from Pekao (Artico)	14,359	-
Loan from Pekao (Galeria Jurajska)	84,136	87,680
Loan from Berlin Hyp (UBP)	43,283	29,140
Loan from ING (Francuska)	21,577	22,117
Loan from OTP (Centre Point)	51,476	42,042
Loan from CIB (Metro)	14,437	15,554
Loan from Erste (Spiral)	20,593	22,586
Loan from Erste (White House)	-	7,904
Loan from OTP (Duna)	39,919	25,046
Loan from Erste (GTC House)	15,444	11,718
Loan from Erste (19 Avenue)	22,504	23,499
Loan from Societe General (BBC)	21,790	22,595
Loan from Intesa Bank (Green Heart)	53,642	31,812
Loan from Raiffeisen Bank (Forty one)	38,148	26,075
Loan from Intesa Bank (Ada)	61,571	26,543
Loan from Erste (City Gate)	75,113	78,204
Loan from Banca Transilvania (Cascade)	4,118	4,612
Loan from Alpha Bank (Premium)	15,873	17,101
Loan from OTP (Mall of Sofia)	57,125	59,582
Loan from UniCredit (ABC I)	19,800	4,462
Loan from UniCredit (ABC II)	2,217	-
Loan from Erste (Matrix)	11,485	-
Loan from Zagrabecka Banka (Avenue Mall Zagreb)	46,000	48,000
Loans from NCI	8,283	9,768
Deferred issuance debt expenses	(6,768)	(6,371)
	1,206,222	**1,115,347**

(in thousands of Euro)

30. Long-term loans and bonds (continued)

Long-term loans and bonds have been separated into the current portion and the long-term portion as disclosed below:

	31 December 2019	31 December 2018
Current portion of long term loans and bonds:		
Bonds mature in 2022-2023	479	-
Bonds mature in 2018-2019	-	15,799
Bonds 1019	-	28,959
Schuldschein 1219	-	15,023
Bonds 0320	18,671	175
Bonds 0620	40,070	70
Bonds 1220	10,117	13
Bonds 0321	243	243
Bonds 0422	75	-
Loan from OTP (GTC)	-	1,573
Loan from Santander (Globis Poznan)	449	15,084
Loan from Santander (Korona Business Park)	1,395	1,395
Loan from PKO BP (Pixel)	677	677
Loan from Berlin Hyp (UBP)	870	930
Loan from Pekao (Galeria Jurajska) (*)	84,136	3,544
Loan from Santander (Globis Wroclaw)	693	693
Loan from ING (Nothus and Zephirus)	-	9,332
Loan from Berlin Hyp (Corius)	342	342
Loan from Pekao (Sterlinga)	525	525
Loan from Pekao (Neptun)	-	662
Loan from Pekao (Artico)	510	-
Loan from Pekao (Galeria Polnocna)	5,000	5,000
Loan from ING (Francuska)	21,577	540
Loan from OTP (Centre Point)	1,807	2,033
Loan from Erste (White House)	-	476
Loan from OTP (Duna)	1,401	1,211
Loan from CIB (Metro)	14,437	1,115
Loan from Erste (Spiral)	1,446	1,415
Loan from Erste (GTC House)	624	781
Loan from Erste (19 Avenue)	994	994
Loan from Intesa Bank (Green Heart)	2,367	914
Loan from Societe General (BBC)	805	805
Loan from Raiffeisen Bank (Forty one)	1,853	1,302
Loan from Intesa Bank (Ada)	3,315	664
Loan from OTP (Mall of Sofia)	2,457	2,457
Loan from UniCredit (ABC I)	1,000	804
Loan from UniCredit (ABC II)	58	-
Loan from Zagrabecka Banka (Avenue Mall Zagreb)	2,000	2,000
Loan from Erste (Matrix)	524	-
Loan from Alpha Bank (Premium)	1,025	1,025
Loan from Banca Transilvania (Cascade)	240	240
Loan from Erste (City Gate)	3,168	3,079
	225,350	**121,894**

(*) In February 2020, the Group signed with Erste and Raiffeisen a loan agreement, which refinanced the existing loan of Galeria Jurajska with a top-up of Euro 46 million, to a total of Euro 130 million.

(in thousands of Euro)

30. Long-term loans and bonds (continued)

	31 December 2019	31 December 2018
Long term portion of long term loans and bonds:		
Bonds mature in 2022-2023	51,661	-
Bonds 0422	9,440	-
Bonds 0320	-	18,498
Bonds 0620	-	40,000
Bonds 1220	-	10,104
Bonds 0321	20,494	20,494
Loan from Santander (Globis Poznan)	17,130	-
Loan from Santander (Korona Business Park)	41,966	43,361
Loan from PKO BP (Pixel)	19,224	19,900
Loan from Santander (Globis Wroclaw)	21,368	22,061
Loan from Berlin Hyp (Corius)	10,036	10,379
Loan from Pekao (Sterlinga)	15,138	15,663
Loan from Pekao (Neptun)	-	19,749
Loan from Pekao (Galeria Polnocna)	184,904	189,904
Loan from Pekao (Artico)	13,849	-
Loan from Pekao (Galeria Jurajska)	-	84,136
Loan from Berlin Hyp (UBP)	42,413	28,210
Loan from ING (Francuska)	-	21,577
Loan from OTP (Centre Point)	49,669	40,009
Loan from CIB (Metro)	-	14,439
Loan from OTP (Duna)	38,518	23,835
Loan from Erste (Spiral)	19,147	21,171
Loan from Erste (White House)	-	7,428
Loan from Erste (GTC House)	14,820	10,937
Loan from Erste (19 Avenue)	21,510	22,505
Loan from Intesa Bank (Green Heart)	51,275	30,898
Loan from Intesa Bank (Ada)	58,256	25,879
Loan from Societe General (BBC)	20,985	21,790
Loan from Raiffeisen Bank (Forty one)	36,295	24,773
Loan from Erste (City Gate)	71,945	75,125
Loan from Banca Transilvania (Cascade)	3,878	4,372
Loan from Alpha Bank (Premium)	14,848	16,076
Loan from OTP (Mall of Sofia)	54,668	57,125
Loan from UniCredit (ABC I)	18,800	3,658
Loan from UniCredit (ABC II)	2,159	-
Loan from Zagrabecka Banka (Avenue Mall Zagreb)	44,000	46,000
Loan from Erste (Matrix)	10,961	-
Loans from NCI	8,283	9,768
Deferred issuance debt expenses	(6,768)	(6,371)
	980,872	**993,453**

(in thousands of Euro)

30. Long-term loans and bonds (continued)

As securities for the bank loans, the banks have mortgage over the assets and security deposits together with assignment of the associated receivables and insurance rights.

In its financing agreements with banks, the Group undertakes to comply with certain financial covenants that are listed in those agreements. The main covenants are: maintaining a Loan-to-Value and Debt Service Coverage ratios in the company that holds the project.

In addition, substantially, all investment properties and IPUC that were financed by a lender have been pledged to secure the long-term loans from banks. Unless otherwise stated, fair value of the pledged assets exceeds the carrying value of the related loans.

Loan received by Spiral is nominated in Hungarian Forint (HUF).

Bonds (series matures in 2022-2023) are nominated in PLN. All other bank loans and bonds are denominated in Euro.

As of 31 December 2019, there were no breach of loan and bonds covenants.

The movement in long term loans and bonds for the years ended 31 December 2019 and 31 December 2018 was as follows:

	31 December 2019	31 December 2018
Balance as of the beginning of the year (excluding deferred debt expenses)	**1,121,718**	**1,040,979**
Drawdowns	264,520	191,224
Repayments	(152,561)	(162,104)
First to be consolidated	-	53,052
Transactions with of non-controlling interest	(1,785)	-
Change in accrued interest	394	(169)
Deconsolidation of Neptune	(19,915)	-
Capitalization of interest	1,205	1,554
Foreign exchange differences	(586)	(2,818)
Balance as of end of the year (excluding deferred debt expenses)	**1,212,990**	**1,121,718**

(in thousands of Euro)

31. Lease liability and Right of Use of land

Lease liabilities includes mostly lease payments for land subject to perpetual usufruct payments and classified as land under investment property (completed, under construction and landbank) and residential landbank.

The balance of Right of Use as of 31 December 2019 was as follows:

	Completed investment property	Investment property under construction	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total
Country						
Poland	11,648	-	22,247	-	-	33,895
Romania	6,884	-	-	-	-	6,884
Serbia	3,606	100	-	-	-	3,706
Croatia	-	-	-	1,197	-	1,197
Bulgaria	-	-	-	-	179	179
Hungary	-	-	-	-	70	70
Balance as of 31 December 2019	**22,138**	**100**	**22,247**	**1,197**	**249**	**45,931**

The balance of lease liability as of 31 December 2019 was as follows:

	Completed investment property	Investment property under construction	Investment property landbank at cost	Residential landbank	Property, plant and equipment	Total	Discount rate
Country							
Poland	11,648	-	22,726	-	-	34,374	4.2%
Romania	6,884	-	-	-	-	6,884	5.7%
Serbia	3,606	100	-	-	-	3,706	7.6%
Croatia	-	-	-	1,225	-	1,225	4.4%
Bulgaria					179	179	4.5%
Hungary	-	-	-	-	62	62	3.9%
Balance as of 31 December 2019	**22,138**	**100**	**22,726**	**1,225**	**241**	**46,430**	

The lease liabilities were discounted using discount rates applicable to long term borrowing in local currencies in the countries of where the assets are located.

(in thousands of Euro)

31. Lease liability and Right of Use of land (continued)

The movement in Right of Use of land for the year ended 31 December 2019 and 31 December 2018 was as follows:

	31 December 2019	31 December 2018
Balance as of 31 December 2018	**-**	**-**
Recognition of Right of Use asset for lands under perpetual usufruct (*)	46,580	-
Recognition of Right of Use for property plant and equipment during the year	273	
Amortization of right of use	(498)	-
Disposals	(712)	-
Foreign exchange differences	288	-
Balance as of 31 December 2019	**45,931**	**-**

The movement in lease liability for the year ended 31 December 2019 and 31 December 2018 was as follows:

	31 December 2019	31 December 2018
Balance as of 31 December 2018	**-**	**-**
Recognition of lease liability for lands under perpetual usufruct (*)	46,580	-
Recognition of Right of Use for property plant and equipment during the year	273	
Payments of leases	(1,739)	-
Change in provision for disputable amounts of perpetual usufruct	(352)	-
Change in accrued interest	1,817	-
Disposals	(712)	
Foreign exchange differences	563	-
Balance as of 31 December 2019	**46,430**	**-**

(*) IFRS 16 was adopted on 1 January 2019

The group pays an annual amount of 2,283 as lease payment (principal and interest) for lands under perpetual usufruct.

(in thousands of Euro)

32. Capital and Reserves

Share capital

As at 31 December 2019, the shares structure was as follows:

Number of Shares	**Share series**	**Total value** in PLN	**Total value** in Euro
139,286,210	A	13,928,621	3,153,995
1,152,240	B	115,224	20,253
235,440	B1	23,544	4,443
8,356,540	C	835,654	139,648
9,961,620	D	996,162	187,998
39,689,150	E	3,968,915	749,022
3,571,790	F	357,179	86,949
17,120,000	G	1,712,000	398,742
100,000,000	I	10,000,000	2,341,372
31,937,298	J	3,193,729	766,525
108,906,190	K	10,890,619	2,561,293
10,087,026	L	1,008,703	240,855
13,233,492	M	1,323,349	309,049
2,018,126	N	201,813	47,329
485,555,122		**48,555,512**	**11,007,473**

All shares are entitled to the same rights.

Shareholders who as at 31 December 2019 held above 5% of the Company shares were as follows:

- GTC Dutch Holdings B.V
- OFE PZU Zlota Jesien
- OFE AVIVA Santander

Capital reserve

Capital reserve represents a loss attributed to non-controlling partners of the Group, which crystalized once the Group acquired the non-controlling interest in the subsidiaries of the Group.

Retained earning

On 14 May 2019, the Company held an ordinary shareholders meeting. It was decided that the profit for the year 2018 presented in the financial statements of Globe Trade Centre S.A. prepared in accordance with the International Financial Reporting Standards shall be allocated as following: an amount of PLN 178.9 million shall be distributed to the Company's shareholders (PLN 0.37 per share). Remaining profit will remain within retained earnings (see note 9).

(in thousands of Euro)

33. Provision for share based payments

Phantom shares

Certain key management personnel of the Group are entitled to specific cash payments resulting from phantom shares in the Group (the "Phantom Shares"). The company uses binomial model to evaluate the fair value of the phantom shares. The input data includes, date of valuation, strike price, and the expiry date.

The Phantom shares (as presented in below mentioned table) have been accounted for based on future cash settlement.

Strike (PLN)	Blocked	Vested	Total
6.11	1,751,200	351,200	2,102,400
7.02	-	50,000	50,000
8.96	20,000	45,000	65,000
Total	**1,771,200**	**446,200**	**2,217,400**

As at 31 December 2019, phantom shares issued were as follows:

Last year of exercise date	Number of phantom shares
2020	50,000
2021	1,837,400
2022	330,000
Total	**2,217,400**

As at 31 December 2018, phantom shares issued were as follows:

Last year of exercise date	Number of phantom shares
2019	460,800
2020	150,000
2021	7,547,400
2022	1,248,000
Total	**9,406,200**

Number of phantom shares were changed as following:

Number of phantom shares as of 1 January 2019	**9,406,200**
Granted during the period	-
Exercised during the year	(7,188,800)
Number of phantom shares as of 31 December 2019	**2,217,400**

(in thousands of Euro)

34. Earnings per share

Basic earnings per share were calculated as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Profit for the period attributable to equity holders (Euro)	74,825,000	91,202,000
Weighted average number of shares for calculating basic earnings per share	484,659,406	477,554,732
Basic earnings per share (Euro)	0.15	0.19

There have been no potentially dilutive instruments as at 31 December 2019 and 31 December 2018.

35. Related party transactions

The Group provides asset management services to subsidiaries controlled by Lone Star, which own real estate projects.

Transactions with the related parties are arm’s length transactions.

The transactions and balances with related parties are presented below:

	Year ended 31 December 2019	Year ended 31 December 2018
Transaction		
Asset management services	21	570
Balances		
Receivables from related party	-	27

Management and Supervisory Board GTC S.A. remuneration for the year ended 31 December 2019, amounted to EUR 1.3 million, and 800,000 phantom shares were vested. Management and Supervisory Board GTC S.A. remuneration for the year ended 31 December 2018, amounted to EUR 1.2 million, and 800,000 phantom shares were vested.

36. Commitments, contingent liabilities and Guarantees

Commitments

As of 31 December 2019 (and as at 31 December 2018), the Group had commitments contracted for in relation to future building construction without specified date, amounting to Euro 77 million (Euro 92 million). These commitments are expected to be financed from available cash and current financing facilities, other external financing or future instalments under already contracted sale agreements and yet to be contracted sale agreements.

Guarantees

GTC gave guarantees to third parties. As of 31 December 2019 and as at 31 December 2018 the guarantees granted amounted to Euro 2 million.

Additionally, the Company gave typical warranties in connection with sale of its assets, under the sale agreements, and construction completion and cost-overruns guarantees to secure construction loans. The risk involved in above warranties and guarantees is very low.

Croatia

In relation to the Marlera Golf project in Croatia, part of the land is held on a lease basis from the State. There is furthermore a Consortium agreement with the Ministry of Tourism of Croatia (Ministry) which includes a deadline for the completion of a golf course that has expired in 2014. If the deadline is not met, then the Ministry has the right to terminate the Consortium agreement which might automatically trigger the termination of the Land Acquisition Agreements, as well as collateral activation and damages claims. Prior to 2014, the Company has taken active steps to achieve an extension of the period for completing the project. In February 2014, the Company received a draft amendment from the Ministry expressing its good faith and intentions to prolong the abovementioned timeline however the amendment was not formalized since then. Since formalization of the amendment is not at the sole discretion of the Group, the Management has decided to revalue the freehold asset in assuming no development of the golf course project. Furthermore, as a prudential measure, the Management has also written off the related collateral in the amount of Euro 1 million provided to the Ministry as a guarantee for completing the golf course. As of 31 December 2019 the book value of the investment in Marlera Golf project was assessed by an independent valuer at €6.9 million.

With regards to the Marlera Golf LD d.o.o. that holds Marlera Golf project - GTC SA is registered as a 80% shareholder while a NCI is registered as a 20% shareholder. The relationship between the shareholders is strained and there are ongoing legal disputes. In 2018 both parties filed legal claims against each other. The NCI claims EUR 3,3 million for damages, statutory penalty interest and legal fees. GTC's legal advisors assessed that the chances for the NCI claim to prevail are remote. Consequently the Company has not made any provisions related to this claim.

(in thousands of Euro)

37. Financial instruments and risk management

The Group's principal financial instruments comprise bank and shareholders' loans, bonds, hedging instruments, trade payables and other long-term financial liabilities. The main purpose of these financial instruments is to finance the Group's operations. The Group has various financial assets such as trade receivables, loans granted, derivatives and cash and short-term deposits.

The main risks arising from the Group's financial instruments are cash flow interest risk, liquidity risk, foreign currency risk and credit risk.

Interest rate risk

The Group exposure to changes in interest rates which are not offset by hedge relates primarily to the Group's long-term debt obligations and loans granted.

The Group's policy is to obtain finance bearing variable interest rate. To manage the interest rate risk in a cost-efficient manner, the Group enters into interest rate swaps or cap transactions.

The majority of the Group's loans are nominated or swapped into Euro.

At 31 December 2019, 95% of the Group's borrowings are hedged.

A 50bp increase in EURIBOR rate would lead to Euro 1,879 thousand change in loss before tax.

Foreign currency risk

The Group enters into transactions in currencies other than the Group's functional currency. Therefore it hedges the currency risk by either matching the currency of the inflow, outflow and cash and cash equivalent with that of the expenditures.

Exchange rates as of 31 December 2019 and 2018 were as following:

	31 December 2019	31 December 2018
PLN/EURO	4.2585	4.3000

The table below presents the sensitivity of profit (loss) before tax due to change in foreign exchange:

	2019 PLN/Euro				2018 PLN/Euro			
Rate/Percentage of change	**4.6844 (+10%)**	**4.4714 (+5%)**	**4.0456 (-5%)**	**3.8327 (-10%)**	**4.7300 (+10%)**	**4.515 (+5%)**	**4.085 (-5%)**	**3.8700 (-10%)**
Cash and blocked deposits	8,105	4,053	(4,053)	(8,105)	3,128	1,564	(1,564)	(3,128)
Trade and other receivables	519	259	(259)	(519)	636	318	(318)	(636)
Trade and other payables	(818)	(409)	409	818	(1,394)	(697)	697	1,394
Land leases	(3,486)	(1,743)	1,743	3,486	-	-	-	-
Bonds	(5,214)	(2,607)	2,607	5,214	(1,580)	(790)	790	1,580

Exposure to other currencies and other positions in statement of financial position are not material.

(in thousands of Euro)

37. Financial instruments and risk management (continued)

Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation. To manage this risk the Group periodically assesses the financial viability of its customers. The Group does not expect any counter parties to fail in meeting their obligations. The Group has no significant concentration of credit risk with any single counterparty or Group counterparties.

With respect to trade receivables and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that those will not meet their payment obligations.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and blocked deposits the Group's exposure to credit risk equals to the carrying amount of these instruments.

The maximum exposure to credit risk as of the reporting date is the full amount presented.

There are no material financial assets as of the reporting dates, which are overdue and not impaired. There are no significant financial assets impaired.

Liquidity risk

As at 31 December 2019, the Group holds Cash and Cash Equivalent (as defined in IFRS) in the amount of approximately EUR 181.4 million. As described above, the Group attempts to efficiently manage all its liabilities and is currently reviewing its funding plans related to: (i) debt servicing of its existing assets portfolio; (ii) capex; and (iii) development of commercial properties. Such funding will be sourced through available cash, operating income, sales of assets and refinancing. The Management Board believes that based on its current assumptions, the Group will be able to settle all its liabilities for at least the next twelve months.

Repayments of long-term debt and interest are scheduled as follows (Euro million) (the amounts are not discounted):

	31 December 2019	31 December 2018
First year	251	148
Second year	189	268
Third year	199	219
Fourth year	198	142
Fifth year	270	133
Thereafter	196	300
	1,303	**1,210**

The above table does not contain payments relating to market value of derivative instruments. The Group hedges significant parts of the interest risk related to floating interests rate with derivative instruments. Management plans to refinance some of the repayment amounts.

All derivative instruments mature within 1-5 years from the balance sheet date.

(in thousands of Euro)

37. Financial instruments and risk management (continued)

Maturity dates of current financial liabilities as of 31 December 2019 were as following:

	Total	Overdue	Up to a month	From a month to three months	From three months to one year
Investment and trade payables and provisions	37,289		6,674	14,374	16,241
Current portion of long-term borrowing	225,350		1,965	111,172	112,213
VAT and other taxes payable	1,817		1,817	-	-
Deposits from tenants	1,605		117	433	1,055
Lease liabilities	208		-	52	156
Income tax payable	1,542		410	-	1,132
Derivatives	3,739		66	868	2,805
	271,550	**-**	**11,049**	**126,899**	**133,602**

Some loans that are expected to be refinanced were temporary classified as current liabilities. In February 2020, GTC CTWA signed with Erste and Raiffeisen banks a loan agreement, which refinanced the existing loan of Galeria Jurajska with a top-up of Euro 46 million, to a total of Euro 130 million. As of 31 December 2019, the full amount of current loan, in the amount of Euro 84.1 is classified as current liability.

Maturity dates of current financial liabilities as of 31 December 2018 were as following:

	Total	Overdue	Up to a month	From a month to three months	From three months to one year
Investment and trade payables and provisions	50,499	-	9,510	12,683	28,306
Current portion of long-term borrowing	121,894	-	1,057	40,407	80,430
VAT and other taxes payable	1,636	-	1,636	-	-
Deposits from tenants	1,307		95	352	860
Income tax payable	1,114	-	565	129	420
Derivatives	1,887	-	60	411	1,416
	178,337	**-**	**12,923**	**53,982**	**111,432**

37. Financial instruments and risk management (continued)

Fair Value

As of 31 December 2019 and 2018, all bank loans bear floating interest rate (however, as of 31 December 2019 and 2018, 95% and 92% of loans are hedged). The fair value of the loans which is related to the floating component of the interest equals to the market rate.

Fair value of all other financial assets/liabilities is close to carrying value.

For fair value of investment property please refer to note 17.

Fair value hierarchy

As at 31 December 2019, the Group held several hedge instruments carried at fair value on the statement of financial position.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Valuations of hedges are considered as level 2 fair value measurements. During the year ended 31 December 2019 and 31 December 2018, there were no transfers among Level 1 and Level 3 fair value measurements.

Price risk

The Group is exposed to fluctuations of in the real estate markets in which it operates. These can have an effect on the Group's results. Further risks are detailed in the Management Report as of 31 December 2019.

Capital management

The primary objective of the Group's capital management is to provide for operational and value growth while prudently managing the capital and maintaining healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and adjusts it to dynamic economic conditions. While observing the capital structure, the Group decides on leverage policy, loans raising and repayments, investment or divestment of assets, dividend policy and capital raise, if needed.

No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

(in thousands of Euro)

37. Financial instruments and risk management (continued)

The Group monitors its gearing ratio, which is Gross Project and Corporate Debt less Cash & Deposits, (as defined in IFRS) divided by its real estate investment value. The Group's policy is to maintain the gearing ratio at the level not higher than 50%.

	31 December 2019	**31 December 2018**
(1) Loans, net of cash and deposits (*)	980,903	992,385
(2) Investment properties (exc. land leases), residential landbank, assets held for sale and building for own use	2,220,994	2,207,618
Gearing ratio [(1)/(2)]	44.2%	45.0%

(*) Excluding loans from non-controlling interest and deferred issuance debt expenses.

Corona virus

Just before signing the financial statements it became apparent that the economic disruptions caused by the Covid-19 virus and the increased uncertainty might be reflected in the future in lower asset valuations and increased volatility in the financial markets, as well as impact on the Company's compliance with financial covenants. While the exact effect of the coronavirus is unknown and unknowable, it is clear that it poses substantial risks. The Company assesses the situation and undertakes mitigating steps to reduce the impact that may be caused by the adverse market situation.

(in thousands of Euro)

38. Restatement

The Company changed the presentation of investment property in its statement of financial position as of 31 December 2018 as following:

	31 December 2018	31 December 2018
	(restated)	(reported)
Investment property	2,113,068	1,981,961
Investment property landbank	-	131,107

The Company changed the classification of blocked deposits and deposits from tenants in its statement of financial position as of 31 December 2018 as following:

	31 December 2018	31 December 2018
	(restated)	(reported)
Non-current assets		
Blocked deposits	9,068	-
Current assets		
Short-term deposits	30,041	39,109
Current liabilities		
Deposits from tenants	1,307	-
Non-current liabilities		
Deposits from tenants	9,068	10,375

39. Subsequent events

In February 2020, GTC CTWA signed with Erste and Raiffeisen banks a loan agreement, which refinanced the existing loan of Galeria Jurajska with a top-up of Euro 46 million, to a total of Euro 130 million.

40. Approval of the financial statements

The financial statements were authorised for issue by the Management Board on 18 March 2020.

Building a better working world

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INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

To the General Meeting and Supervisory Board of Globe Trade Centre S.A.

Audit report on the annual consolidated financial statements

Opinion

We have audited the annual consolidated financial statements of Globe Trade Centre S.A. Group (the 'Group'), for which the holding company is Globe Trade Centre S.A. (the 'Company') located in Warsaw at Komitetu Obrony Robotników 45A, containing: the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flow for the period from 1 January 2019 to 31 December 2019 and notes to the consolidated financial statements, including a summary of significant accounting policies (the 'consolidated financial statements').

In our opinion, the consolidated financial statements:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the period from 1 January 2019 to 31 December 2019 in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union and the adopted accounting policies,

- are in respect of the form and content in accordance with legal regulations governing the Group and the Company's Statute.

The opinion is consistent with the additional report to the Audit Committee issued on 18 March 2020.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing in the version adopted as the National Auditing Standards by the National Council of Statutory Auditors ("NAS") and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the 'Act on Statutory Auditors') and the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the 'Regulation 537/2014'). Our responsibilities under those standards are further described in the *'Auditor's responsibilities for the audit of the financial statements'* section of our report.

We are independent of the Group in accordance with the Code of ethics for professional accountants, published by the International Federation of Accountants (the 'Code of ethics'), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of ethics. While conducting the audit, the key certified auditor and the audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Statutory Auditors and the Regulation 537/2014.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

Key audit matter	**How the matter was addressed in our audit**
Valuation of investment properties	
Investment property constitutes more than 89% of total assets of GTC S.A. Group consolidated accounts as at 31 December 2019 and comprises mainly of two categories: completed investment property, which are measured at fair value and investment property under construction, measured either at cost or at fair value, if certain criteria specified in the Group's accounting policies are met.	During the course of audit of Capital Group consolidated financial statements we have documented our understanding of the valuation process. We have also discussed with the Management current market situation in various geographies where the Group operates in. We engaged our internal real estate and valuation specialists to analyze properties appraisals performed by the Group.

The fair value of the investment property depends typically on external valuations, which take into account the Management's judgements, assumptions and estimates such as current and future rents, occupancy levels, rent-free periods and expected market yields. Inputs used to measure fair value of the Group's investment properties are categorized into second and third levels of the fair value hierarchy. The valuations are carried out by third party appraisers. The appraisers are engaged by the Group to carry out the valuations in accordance with applicable valuation and professional standards of the appraisers. Considering the significant impact on the Group's financial statements as well as high dependency on estimates and judgements of the Management and valuation experts, we consider valuation of investment properties as a key audit matter. The disclosures and accounting policies relating to the assumptions used in the valuations are presented in notes 7c, 7d and 17 of the consolidated financial statements.	Our audit procedures covered, among others, the following: - understanding of the process and control mechanisms related to valuation of both investment properties and investment properties under construction; - analysis of the properties selected on a sample basis, including assets that are of the highest value, that have been recently acquired or those showing significant changes in carrying value, as well as properties with lower individual value, which have not been verified recently; - review of the valuation reports and models for selected properties and evaluation of valuation approach used for determining the carrying value; - substantive audit procedures, on a sample basis of valuations, to evaluate the accuracy of the property information provided to the appraisers by the Management, as well as verification of mathematical accuracy of the valuation models; - evaluation of the objectivity and expertise of the external appraisers; - evaluation of the appropriateness of the property related data for selected properties, including estimates as used by the external appraisers, in particular, comparison of the applied investment yields to an expected estimated range, including reference to published benchmarks; - assessment of other assumptions that are not so readily comparable with published benchmarks, such as Estimated Rental Value, void rates and rent free periods. Where assumptions were outside the expected range or otherwise unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, held further discussions with the external appraisers and the Management; - analytical review, including the reasonableness of fair value movements in correspondence with expectations we have built on in relation to current

	market benchmarks and knowledge gained during the audit process. We also evaluated the adequacy and the scope of the disclosures relating to the assumptions used in the valuations presented in notes 7c, 7d and 17 of the consolidated financial statements.
Financing and loan and bond covenants	
As at 31 December 2019, the outstanding bonds, loans and borrowings in the Group consolidated financial statements amounted to 47,8% of total assets. As described in note 30 of the consolidated financial statements, for the vast majority of loans and bonds, the entities of the Group have to meet certain covenants specified in the loan and bond agreements. The availability of adequate funding, financing and the assessment whether the Group can continue to meet its financial covenants are significant aspects of our audit, due to possible impact on the Group's ability to continue as a going concern. Also, ability of the Group companies to meet debt covenants in the foreseeable future may depend also on events after balance sheet date, including effect of the COVID 19 virus epidemic. Moreover, covenants' calculation results may impact Group's liquidity, as well as short and long term liabilities presentation. Covenants calculation depends to a large extent on investment property valuations as described in "Valuation of investment properties" paragraph. These valuations are based on certain estimates and assumptions, including expectations of future economic and market developments which may be uncertain and, therefore, may change in the future. The disclosures regarding the covenants, loan and bond agreements, and amendments are disclosed in note 30 of the consolidated financial statements.	Our audit procedures in relations to the described key audit matter included, among others: - documentation of our understanding of the financing process; - understanding the Group's control mechanisms around the debt covenant compliance; - analysis of the Group's assessment of continued covenant compliance and performed recalculation for selected items; - analysis of debt covenant requirements resulting from the loan and bond agreements, including the covenant ratios and potential events of default; - understanding of the Management's calculation process of the covenant ratios in accordance with the loan and bonds agreements; - assessment of compliance of covenants estimated by the Management, with applicable financial covenants' requirements by performing recalculation of these covenants, as per 31 December 2019, on a sample basis of covenants; - consideration of the events after the balance sheet date, including refinancing transaction as well as potential impact of the COVID 19 epidemic, including decrease in shopping malls turnover on the future investment property valuations, which are subject to financing collaterals, on the uncertainty of meeting debt covenants and the Group liquidity in the foreseeable future and, consequently, the impact of this events on the going concern assumption assessment. Furthermore, we evaluated the adequacy of the Group's disclosure regarding the covenants, loan and bond agreements, which are disclosed in

	notes 4, 30 and 37 of the consolidated financial statements.

Other matters

We also reported separately on the consolidated financial statements of Globe Trade Centre S.A. for the same period prepared in accordance with International Financial Reporting Standards approved by the European Union, using Polish zloty as the presentation currency.

Responsibilities of the Company's Management and members of the Supervisory Board for the financial statements

The Company's Management is responsible for the preparation of the consolidated financial statements that give a true and fair view of the consolidated financial position and the consolidated financial performance in accordance with required applicable rules of International Accounting Standards, International Financial Reporting Standards approved by the European Union, the adopted accounting policies, other applicable laws, as well as the Company's Statute, and is also responsible for such internal control as determined is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Company's Management and the members of the Company's Supervisory Board are required to ensure that the consolidated financial statements meet the requirements of the Accounting Act dated 29 September 1994 (the 'Accounting Act'). The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in the aggregate, they could influence the economic decisions of the users taken on the basis of these consolidated financial statements.

In accordance with International Auditing Standard 320, section 5, the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the consolidated financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Group nor effectiveness of conducting business matters now and in the future by the Company's Management.

Throughout the audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and we also:

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management,

- conclude on the appropriateness of the Company's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Group to cease to continue as a going concern,

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

- we obtain sufficient appropriate audit evidence regarding the financial information of entities and business activities within the Group for the purpose of expressing an opinion on the consolidated financial statements. We are solely responsible for the direction, supervision and performance of the audit of the Group and we remain solely responsible for our audit opinion.

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

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

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

Other information, including the Directors' Report

The other information comprises the Directors' Report for the period from 1 January 2019 to 31 December 2019 and the representation on the corporate governance (jointly 'Other Information').

Responsibilities of the Company's Management and members of the Supervisory Board

The Company's Management is responsible for the preparation the Other Information in accordance with the law.

The Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report (with separate elements) meets the requirements of the Accounting Act.

Auditor's responsibility

Our opinion on the consolidated financial statements does not include the Other Information.
In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have

performed, we conclude that there is a material misstatement of this Other information, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the consolidated financial statements.

In addition, we are required to issue an opinion on whether the Company has included the required information in the representation on application of corporate governance.

Opinion on the Directors' Report

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 71 of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (the 'Decree on current and periodic information'),

- is consistent with the information contained in the consolidated financial statements.

Moreover, based on our knowledge of the Group and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

Opinion on the corporate governance application representation

In our opinion, in the representation on application of corporate governance, the Group has included information stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Decree included in the representation on application of corporate governance is in accordance with applicable laws and information included in the consolidated financial statements.

Representation on the provision of non-audit services

To the best or our knowledge and belief, we declare that we have not provided services other than audits of the financial statements to the Company and its subsidiaries, which are prohibited based on article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors.

Appointment of the audit firm

We were appointed for the audit of the Group's consolidated financial statements initially based on the resolution from 19 December 2002 and reappointed based on the resolution of the Company's Supervisory Board from 17 August 2017. The consolidated financial statements of the Group have been audited by us uninterruptedly starting from the financial year ended on 31 December 2002, i.e. for the past 18 consecutive years.

Warsaw, 18 March 2020

Key Certified Auditor

Jarosław Dac
certified auditor
no in the register: 10138

on behalf of:
Ernst & Young Audyt Polska spółka
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