Granbero Holdings
Ltd

IFRS Consolidated Financial Statements at 31 December 2019

Approved by Management
with the Independent Auditor’s opinion

Contents

I. General information and performance

1. Business activities & profile

Granbero Holdings Ltd (as the legal Cyprus entity with all its Polish subsidiaries) represents the Polish activities of the Ghelamco Group, a leading European real estate investor mainly active in the offices, residential, leisure, retail and logistics markets.

Ghelamco group maintains a high quality internal control with respect for agreed milestones over all its project development phases: land purchase, planning, coordinating the construction phase and sale or lease. Its projects combine prime and strategic locations with efficient and aesthetically inspiring designs and correct timing.

Ghelamco group's successes are generated by the group's professional and enthusiastic staff that is driven by the vision and passion of its management.

Ghelamco group is one of the largest commercial property developers and investors in Belgium and Poland and has realised a steep growth over the last number of years. The group's market position has been recognized by numerous prestigious awards, collected over several years and granted both to the company and to many of its projects.

In Poland, Ghelamco received two awards at CIJ Awards 2019. Foksal 13/15 project was chosen as 'Best Residential Development' and the sale of the Warsaw Spire as 'Best Investment Transaction'. The transaction value of the Warsaw Spire (building A) sale amounted to 386 MEUR, which was a new record on the Warsaw office real estate market. Therefore, the tower was chosen as 'Investment Deal €100 Million Plus' at the EuropaProperty CEE Investment Awards. The sale of building C of the Warsaw Spire complex received the title as 'Investment Deal €50 Million Plus'.

Wronia 31, another office project next to the Warsaw Spire, won the international BREEAM Awards 2019 competition in the category of Regional Award Central and Eastern Europe.

In addition, the Warsaw UNIT, office project of 59,000 sqm, has been awarded as the best 'Commercial High-rise Development' at the prestigious European Property Awards.

Furthermore, in December 2019, Ghelamco received three prizes at the Eurobuild Awards in the following categories: 'Office Developer of the Decade', 'Office Developer of the Year' and 'Best Investment Deal of the Year' for selling the Warsaw Spire.

Finally, the Company also won the main prize in the Belgian Business Chamber Award 2019.

Ghelamco Group's business activities are structured in four major holdings under common control of the ultimate beneficial owners (jointly referred to as "**Ghelamco**" or "the **Consortium**"):

- **Investment Holding**: comprises resources invested in real estate projects in Belgium, France, Poland and Russia and the intra-group Financing Vehicles, which may also to a certain extent provide funding to the other holdings – hereafter the "Ghelamco Group", the "Investment Group" or the "Group";

- **Development Holding**: represents international entities that provide construction, engineering and development services to the Investment Holding;

- **Portfolio Holding**: consists of all other activities and real estate investments controlled by the ultimate shareholders;

- **Ghelamco European Property Fund:** keeps in first instance real estate projects as income generating products in portfolio for a longer time period. This allows the Investment Holding to realise and sell delivered projects, for which the occupation rate and lease status has been optimized in the past years, at an optimal market value. This longer-term strategy also demands a specific (long-term) financing structure. The fund is not regulated but acts as a separate legal entity within the group.

2. Legal status

Granbero Holdings Ltd (the "Company" or "Granbero Holdings") is the holding company of the Polish activities of Ghelamco Group Comm. VA, which is in turn the holding company of the **Investment Group.** Granbero Holdings Ltd, together with its subsidiaries (also the "Company") (Note 5), constitute the reporting entity for the purpose of these financial statements.

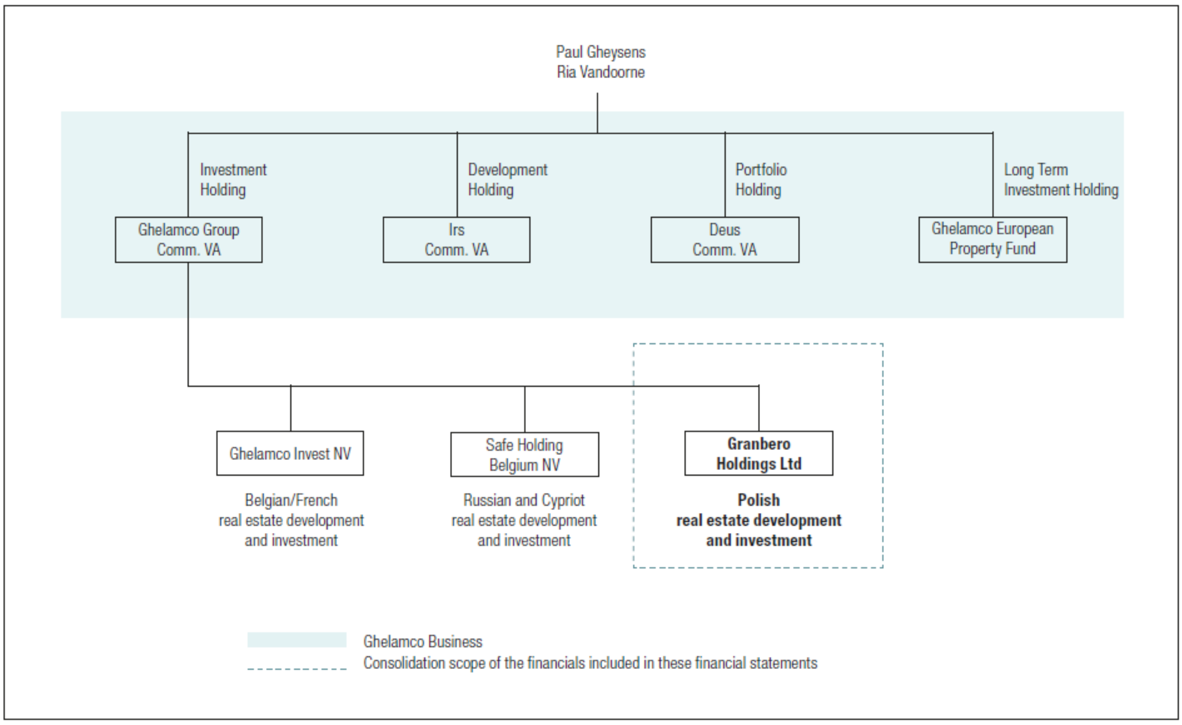
Granbero Holdings Ltd is a limited liability company registered under Cypriot law, with its registered office at Arch. Makariou III, 229, Meliza Court, 3105 Limassol, Cyprus.

The Company is registered in the Cypriot commercial register under the number HE183542.

3. Consolidation scope

These consolidated financial statements comprise the resources and activities of the Company and its legal subsidiaries.

At 31 December 2019 (the reporting date), all the assets and liabilities of the reporting entity (the Company and its direct and indirect legal subsidiaries) are legally linked through a corporate structure that was introduced in 2006 and was accomplished prior to 31 December 2007 (overview in Note 5).
All assets, liabilities, income and expenses that represented an integral part of the Granbero Holdings activities, are included in the accounts of the legal subsidiaries of the Company at 31 December 2019 and at 31 December 2018.



4. Staffing level

Given its nature, there is limited employment in the Company. The construction, engineering and other related services are mainly provided to the Company by the Development Holding's legal subsidiaries. Ghelamco as a whole employed 322 people on 31 December 2019 (vs. 304 on 31 December 2018).

5. Board and management committee

Members of the board of the Company as of 31 December 2019:

-Frixos Savvides – Executive director and member of the management committee
-Eva Agathangelou - Executive director and member of the management committee
-Stavros Stavrou – Executive director
-Christakis Klerides – Director

The statutory board of the Polish entities consists of usually of 6 board members: the Managing Director Eastern Europe (president of the board) and the local Financial, Commercial, Legal, Technical and Investment Directors.

The Members of the Board actively coordinate and supervise the different Polish teams and support them

6. Business environment and results

<u>2019 performance and results</u>

The Company closed its 2019 accounts with a net profit of 81,740 KEUR. This is the result of its continued development, construction and commercialisation efforts. The Company has in the current period considerably invested in a number of existing projects (mainly the Warsaw HUB and the Warsaw Unit) and was able to create considerable added value on its projects portfolio. Furthermore, the Company was succefull in the disposal of two of its recently delivered projects (.BIG in Krakow and Wronia in Warsaw) to third party investors in the first half year of 2019. The balance sheet total increased (by 256,657 KEUR) to 1,430,270 KEUR, while the equity increased (by 83,967 KEUR) to 809,864 KEUR. The solvency ratio is per 31 December 2019 at 56.6%[1] (vs 61.9% at 31 December 2018).

Land bank

In Poland, the Company in first instance maintained its existing land bank but also took advantage of some expansion opportunities. In this respect, in the first half of 2019 a plot at Wadowicka Street in Krakow was acquired for the development of a 24,100 sqm office project (with retail function on the ground floor and 325 parking space). Furthermore, end of October 2019, the Company's subsidiary Prima Bud Sp. z o.o. acquired a plot of land in Lomianki (suburb of Warsaw) for the future construction of approx. 5,500 sqm of retail space.

Development and construction

During 2019, the Company further invested in the following projects in Poland:

- The continued construction of the Warsaw HUB project at Rondo Daszynskiego in Warsaw, comprising 3 towers on a podium with retail function of approx. 117,000 sqm in Warsaw CBD. Currently the above ground construction works are well advanced and the façade works are ongoing as well. The completion of the construction is scheduled by the end of Q2 2020.
- The continuation of the construction works of the Warsaw UNIT (formerly named Spinnaker), 57,200 sqm offices project, also at Rondo Daszynskiego. Underground and above ground construction works are currently ongoing. The project is expected to be completed and delivered by Q3 2021.

[1] Calculated as follows: equity / total assets

- The progressed construction works of the Foksal project, including the renovation of the historic buildings, located in the historic heart of Warsaw. Per end of 2019 the construction works of the two-storey underground car park and the above-ground part of the building have been completed. The renovation of the historic buildings and the construction works are ongoing, while delivery is scheduled for Q2 2020. The project comprises the realisation of 55 high-class apartments (approx. 6,424 sqm in total) and commercial space of approx. 595 sqm. Per date of the current report, approx. 50% of available residential space has already been pre-sold.
- The (receipt of the building permit and) start of the construction works in March 2019 of the Flisac project (5,700 sqm of residential space and approx. 980 sqm of retail space on the ground floor, including a two-storey underground parking) in the Powisle district in Warsaw. Per date of the current report, approx. 65% of the available space has already been pre-sold.
- The (receipt of the building permit and) demolition of the old building on the land plot which was acquired at Wadowicka Street in Krakow related to the Kreo project, for the development of a 24,100 sqm office project (with retail functions on the ground floor and 325 parking spaces). The demolition works have started end 2019 and have been finalised early 2020. The construction works are expected to start Q1 2020.
- The continuation and finalisation of the construction works of the Lomianki project (shopping center of approx. 5,500 sqm with 50 above ground parking spots). The occupation permit has been obtained in November 2019 and delivery is expected by the end of Q1 2020.

(Pre-)leasing and occupation of projects:

Continued leasing efforts have resulted in a lease rate of approx. 95% for the delivered Woloska 24 project located in the Warsaw Mokotow District (+/- 23,200 sqm) and a lease rate of approx. 93% in the Vogla retail project (+/- 5,200 sqm).

For the Warsaw HUB, the Company is in advanced negotations with potential tenants for the still available commercial and office spaces. Currently, lease agreements have been signed for approx. 93,500 sqm (taking into account extension options signed, the level of rented space is approx. 96,500 sqm). Furthermore, the commercialization process resulted in the signing of lease agreements for already 17,500 sqm in the Warsaw UNIT (and taking into account extension options signed, the lease level is approx. 20,600 sqm).

In the Lomianki project, finally, the combined pre-lease/ pre-sale level is currently already at 77%.

Divestures

In 2019, the Company has successfully sold two of its delivered and leased projects:
- The .BIG project (10,200 sqm office space in Krakow) was sold as on 17 January 2019 to Credit Suisse. The project was for 91% leased to a single tenant (StateStreet). The sale was structured as an enterprise deal (sale of assets plus linked obligations), based on a transaction value of 32.9 MEUR and a yield of 5.59%. The sale resulted in a gain on disposal of investment property of 2.2 MEUR. At the moment of the sale the related bank loan was reimbursed for an amount of 16.8 MEUR.
- The Wronia project (16,600 sqm office space in Warsaw CBD) was sold on 26 April 2019 to LaSalle Investment Management. The project was leased for approx. 80% (the level of rented space, including signed extension options was at approx. 89%). The share deal was based on a transaction value of 74 MEUR and resulted in a gain on disposal of investment property of 2.0 MEUR. At the moment of the sale the related bank loan was reimbursed for an amount of 40.7 MEUR.

Current period’s residential revenues mainly related to the sale of the remaining units in the Woronicza Qbik project (355 residential soft lofts and 16 ground floor commercial units, in the Mokotow District of Warsaw).

<u>Outlook</u>

It is the Company’s strategy to further diversify its development portfolio by spreading its developments over different real estate segments and/or mixed projects.
For 2020, the Company will continue its sustained growth ambition. In addition, it will closely monitor specific evolutions in its active markets and real estate segments.
In respect of the COVID-19 pandemic the management has taken all necessary concrete and preventive measures to protect the Companies’ staff and co-operators. In the meantime the management ensured the continuity of its business activities through different actions and initiatives.

Nevertheless the management is conscious that the pandemic will affect certain on-going and scheduled real estate and financial transactions. The risks concerned are mitigated as much as possible in open discussions with the involved counterparties. The management will closely monitor and follow up all evolutions concerned and will act diligently to reduce any negative effect on the Company, its staff and its business.

Ghelamco will also continue to focus on R&D and innovation to monitor and improve the realisation of its qualitative development projects.

7. Notice to the reader

This document presents the IFRS Consolidated Financial Statements for the year ended on 31 December 2019, assuming the going concern of the consolidated companies.

As per today, the Company's core business is the development of and investment in commercial and residential properties. The Company's strategy is to keep commercial property in portfolio for rental purposes while residential properties are dedicated for sale.

According to IAS 2, Property Development Inventories have to be measured at the lower of cost and net realizable value. Investment Properties (Under Construction) are carried at fair value.

As such, residential properties are presented as Property Development Inventories.
Most of the commercial property is presented as Investment Property. We refer to the Notes 6 and 7 in Part II for more details on their presentation.

II. IFRS Consolidated Financial Statements

This document presents the IFRS Consolidated Financial Statements for the year ended on 31 December 2019, assuming the going concern of the consolidated companies and which were approved by the Company's Management on 27 March 2020. The amounts in this document are expressed in thousands of EUR (KEUR), unless stated otherwise.

A. Consolidated statement of financial position

	Note	31/12/2019	31/12/2018
ASSETS			
Non-current assets			
Investment Property	6	764,229	566,636
Property, plant and equipment		343	329
Receivables and prepayments	9	332,477	316,658
Deferred tax assets	16	2,360	2,671
Other financial assets		302	139
Total non-current assets		**1,099,711**	**886,433**
Current assets			
Property Development Inventories	7	94,229	62,058
Trade and other receivables	9	171,578	163,614
Current tax assets		213	26
Assets classified as held for sale	6	0	29,169
Cash and cash equivalents	11	64,539	32,313
Total current assets		**330,559**	**287,180**
TOTAL ASSETS		**1,430,270**	**1,173,613**

Granbero Holdings – Consolidated Financial Statements at 31 December 2019 (in KEUR)

Consolidated statement of financial position (cont'd)

	Note	31/12/2019	31/12/2018
Capital and reserves attributable to the Group's equity holders			
Share capital	12	67	67
Share premiums	12	495,903	495,903
CTA	13	3,215	877
Retained earnings	13	310,668	229,043
		809,853	725,890
Non-controlling interests	12,2	11	7
TOTAL EQUITY		**809,864**	**725,897**
Non-current liabilities			
Interest-bearing loans and borrowings	14	426,364	289,609
Deferred tax liabilities	16	39,657	25,909
Other non-current liabilities	17	5,520	7,029
Total non-current liabilities		**471,541**	**322,547**
Current liabilities			
Trade and other payables	18	56,268	42,291
Current tax liabilities	19	1,429	1,466
Interest-bearing loans and borrowings	14	91,168	81,412
Total current liabilities		**148,865**	**125,169**
TOTAL LIABILITIES		**620,406**	**447,716**
TOTAL EQUITY AND LIABILITIES		**1,430,270**	**1,173,613**

Granbero Holdings – Consolidated Financial Statements at 31 December 2019 (in KEUR)

B. Consolidated statement of profit or loss and other comprehensive Income

Consolidated Statement of profit or loss

	Note	2019	2018
Revenue	20	9,128	12,102
Other operating income	21	6,666	13,075
Cost of Property Development Inventories	22	562	-514
Employee benefit expense		-949	-320
Depreciation amortisation and impairment charges		-23	-20
Gains from revaluation of Investment Property	6	93,447	38,413
Other operating expense	21	-10,815	-20,587
Share of results in equity accounted investees (net of tax)		0	0
Operating profit - result		**98,016**	**42,149**
Finance income	23	13,691	16,588
Finance costs	23	-13,556	-18,990
Profit before income tax		**98,151**	**39,747**
Income tax expense/income	24	-16,411	-13,952
Profit for the year		**81,740**	**25,795**
Attributable to:			
Owners of the Company		81,740	25,795
Non-controlling interests		0	0

Granbero Holdings – Consolidated Financial Statements at 31 December 2019 (in KEUR)

Consolidated statement of profit or loss and other comprehensive income

		2019	2018
Profit for the year		**81,740**	**25,795**
Exchange differences on translating foreign operations	13	2,338	3,470
Other		0	-31
Other comprehensive income of the year		**2,338**	**3,439**
Total Comprehensive income for the year		**84,078**	**29,234**
Attributable to:			
Owners of the Company		84,078	29,234
Non-controlling interests		0	0

Granbero Holdings – Consolidated Financial Statements at 31 December 2019 (in KEUR)

C. Consolidated statement of changes in equity

Consolidated statement of changes in equity

	Note	Attributable to the owners of the Company			Non-controlling interests	Total Equity
		Share capital / premium	**Cumulative translation reserve**	**Retained earnings**		
Balance at 1 January 2018		**495,970**	**-2,593**	**203,289**	**7**	**696,674**
Capital increase						**0**
Foreign currency translation adjustment (CTA)			3,470			**3,470**
Profit/(loss) for the year				25,795		**25,795**
Dividend distribution						**0**
Change in non-controlling interests						**0**
Change in the consolidation scope				-10		**-10**
Other				-31		**-31**
Balance at 31 December 2018		**495,970**	**877**	**229,043**	**7**	**725,897**
Capital increase	13					**0**
Foreign currency translation adjustment (FCTA)	13		2,338			**2,338**
Profit/(loss) for the year	13			81,740		**81,740**
Dividend distribution						**0**
Change in non-controlling interests	12,2				4	**4**
Change in the consolidation scope	13			-122		**-122**
Other				7		**7**
Balance at 31 December 2019		**495,970**	**3,215**	**310,668**	**11**	**809,864**

Granbero Holdings – Consolidated Financial Statements at 31 December 2019 (in KEUR)

D. Consolidated cash flow statement

Consolidated cash flow statement for 2019 and 2018

		2019	2018
Operating Activities			
Profit / (Loss) before income tax		**98,151**	**39,748**
Adjustments for:			
- Change in fair value of investment property	6	-93,447	-38,413
- Depreciation, amortization and impairment charges		23	20
- Result on disposal investment property		-4,270	0
- Net interest charge	23	-7,642	-3,815
- Movements in working capital:			
- Change in prop. dev. inventories		-28,878	-4,807
- Change in trade & other receivables		296	-1,909
- Change in trade & other payables		9,469	3,977
- Movement in other non-current liabilities		-1,509	4,780
- Other non-cash items		59	-149
Income tax paid		-2,576	-732
Interest paid		-3,752	-22,712
Net cash from operating activities		**-34,076**	**-24,012**
Investing Activities			
Interest received	23	4,723	19,386
Purchase/disposal of property, plant & equipment		-37	43
Purchase of investment property	6	-129,057	-80,579
Capitalized interest in investment property paid	6	-16,622	-12,376
Proceeds from disposal of investment property /assets held for sale	6	101,840	0
Cash in-/outflow on other non-current financial assets		-15,982	-30,020
Net cash flow used in investing activities		**-55,135**	**-103,546**
Financing Activities			
Proceeds from borrowings	14	248,645	130,929
Repayment of borrowings	14	-126,106	-66,328
Net cash inflow from / (used in) financing activities		**122,539**	**64,601**
Net increase/decrease in cash and cash equivalents		**33,328**	**-62,957**
Cash and cash equivalents at 1 January of the year		32,313	88,228
Other effects of exch. Rate changes in non-EUR countries		-1,102	7,042
Cash and cash equivalents at 31 December of the year		**64,539**	**32,313**

E. Segment information

As the vast majority of the assets (and resulting income) of the Company is geographically located in Poland, and Management has a regional approach in decision making, Management does not receive information disaggregated at a lower level than Granbero Holdings as a whole. Hence no segment information has been included in this financial reporting.

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the IFRS consolidated financial statements, are set out below.

1.1. Introduction

We refer to the section “Business activities and profile” and Note 5 “Group structure” of these consolidated financial statements for more information on the business activities and the structure of the Company and its position within the Ghelamco business.

These financial statements are IFRS consolidated financial statements that include the resources and activities of Granbero Holdings Ltd and its legal subsidiaries that are part of the Ghelamco Investment Group at 31 December 2019.

A list of legal entities included in these IFRS consolidated financial statements and major changes in the organizational structure of the reporting entity are outlined in Notes 4 and 5.

1.2. Basis of preparation

These consolidated financial statements include those of the Company and its subsidiaries. The consolidated financial statements were approved for issue by Management on March 27, 2020. The consolidated financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (“IFRS”) as adopted by the European Union at 31 December 2019. The Company has adopted all new and revised standards and interpretations relevant for its activities and which became applicable for the financial year starting 1 January 2019.

These financial statements have been prepared under the historical cost convention except for Investment Properties, assets classified as held for sale and derivative financial instruments that have been measured at fair value.

1.3. Standards and Interpretations that became applicable in 2019

Standards and Interpretations that the Company anticipatively applied in 2018 and 2019:

- None

Standards and Interpretations that became effective in 2019:

- IFRS 16 Leases
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 9: Prepayment Features with Negative Compensation

IFRS 16 "Leases"
This standard has been published on 13 January 2016 and replaces existing prescriptions related to the accounting treatment of lease contracts, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the substance of transaction involving the legal form of a lease. This standard is applicable on or as from 1st January 2019.

IFRS 16 introduces significant changes in accounting for leases for the lessee, removing the distinction between operating and finance leases and recognising Right-of-Use assets and lease liabilities for all leases (aside from exemptions for short-term leases or low-value assets). Unlike accounting for leases by the lessee, IFRS 16 keeps almost all provisions from IAS 17 Leases regarding accounting for leases by the lessor. This means that lessors must continue to classify leases as operating or finance leases. As the Company is mainly property owner en thus acting as a lessor, no changes are triggered and the Company will continue to value its investment property portfolio at fair value in accordance with IAS 40.

Still, the Company holds significant part of its land positions through long-term leaseholds (i.e. 'perpetual usufructs') and not full property. In the past, these lease contracts were classified as operating or finance leases based on the criteria defined by IAS 17 Leases. As a result of the adoption of IFRS 16, the Company has recognized a right-of-use asset and a lease liability for all qualifying contracts; except for low value contracts/assets.

All right-of-use assets complying with the definition of Investment property will be presented as Investment property. The other right-of-use assets will be presented in the most appropriate caption, taking into account the nature of the assets on which the right-of-use has been granted. The right-of-use assets presented as Investment property are recognized at fair value (while those were previously recorded at cost according to IAS 17). The lease liabilities are initially recognized at their discounted value and will going forward be updated, considering the incremental interest rate on the one hand and the actual lease payments on the other hand. Lease liabilities are presented in interest-beraring loans and borrowings (of the consolidated statement of financial position).

The Company has adopted IFRS 16 as from 1st January 2019 and applied the 'modified retrospective' approach. The comparative figures (and the opening equity) have not been adapted.

For the impact of the adoption of IFRS 16 on the statement of profit or loss and on the statement of financial position we refer to note 26.2. The impact on the 2019 statement of profit or loss is limited.

Standards and Interpretations which became effective in 2019 but which are not relevant to the Company:

- Amendments to IAS 19: Plan Amendment, Curtailment of Settlement

1.4. Standards and Interpretations issued but not yet effective

Standards and Interpretations issued at the date of these IFRS consolidated financial statements, which were authorized for issue but not yet mandatory and have not been early adopted by the Company:

- Amendments to IAS 1 and IAS 8 Definition of Material (applicable for annual periods beginning on or after 1 January 2020, and endorsed in the EU)

- Amendments to IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in the EU)

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been deferred indefinitely, and therefore the endorsement in the EU has been postponed)

- Amendments to references to the Conceptual Framework in IFRS standards (applicable for annual periods beginning on or after 1 January 2020, and endorsed in the EU)

- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2021, but not yet endorsed in the EU)

At this stage, the Company does not expect the first adoption of these Standards and Interpretations to have any material financial impact on the financial statements at the moment of initial application.

The Company is currently assessing the possible impact, if any, of standards to be applied as from 2020.

1.5. Principles of consolidation

1.5.1. Consolidation scope

The entities included in the consolidation scope are those that are under control of the Company (see Notes 4 and 5). The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Control is achieved when the Company:

- has power over the investee; and
- is exposed or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company re-assesses whether or not it controls an investee if fact and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The transactions, balances and unrealized gains and losses between these legal entities are deemed intra-group transactions and are eliminated in full.

The transactions with other entities owned directly or indirectly by the ultimate shareholders of the Ghelamco Consortium are deemed transactions with related parties and are not eliminated, but are presented as balances and transactions with related parties in Note 27.

Investments in joint-ventures are included in the consolidated financial statements in accordance with the equity method. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.5.2. Acquisition of subsidiaries

Although the Company obtained control over several subsidiaries over the past years, these transactions are not considered business combinations as defined under IFRS 3 "Business Combinations". In these transactions, the Company primarily acquired land and therefore these transactions are to be considered as a purchase of selective assets and liabilities and not as a purchase of a "business". The purchase consideration has been allocated to each of the assets and liabilities acquired based on their relative fair values.

During the course of 2019 and 2018, there were no acquisitions of subsidiaries that qualified as an acquisition of a business as defined in IFRS 3 "Business Combinations".

1.5.3. Sale of subsidiaries

As was the case in the past, the 2019 and 2018 business of the Company consists of developing commercial and residential real estate projects. Commercial properties are held for rental and/or capital appreciation. Residential properties are held for sale in the ordinary course of business.

General rule:
- sale of commercial projects subsidiaries (in which real estate is developed and valued as IP(UC)) is presented in the Income Statement as a disposal of IP and not as a disposal of a subsidiary;

- sale of residential projects subsidiaries (in which real estate is developed and valued as property development inventories) is presented in the Statement of profit or loss on a gross basis (i.e. revenue from the sale of inventories and cost of sales) and not as a disposal of a subsidiary. Still, a sale of residential projects is generally structured as a sale of assets.

Comments 2019

On 17 January 2019, the .BIG project in Krakow (approx. 10,200 sqm office space and 141 underground parking spaces) was sold to Crédit Suisse. The sale was completed through an enterprise deal (sale of assets plus linked obligations for the buyer), based on an underlying value of the property of 32.9 MEUR.

On 26 April 2019, The Wronia project (16,600 sqm office space in Warsaw CBD) was sold to LaSalle Investment Management. The transaction was completed through a share deal based on an underlying value of the property of 74 MEUR. The transaction has in the financial statements been presented as a disposal of IP.

In 2019, no residential SPVs have been sold, in line with the general approach to sell residential projects through asset deals.

Comments 2018

In 2018, no commercial or residential project SPVs were sold.

1.5.4. Increase in ownership interests in subsidiaries

The Company applies the parent company model to transactions with minority shareholders. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

1.5.5. Foreign currency translation

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

Foreign currency transactions

Foreign currency transactions are recognized initially at the exchange rate prevailing at the transactions' date. Subsequently, at closing, monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet currency rate. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are included in the income statement as a financial result.

Foreign entities

For the purpose of the IFRS consolidated financial statements, the results and financial position of each entity are expressed in Euro, which is the functional currency of the Company and the presentation currency for the IFRS consolidated financial statements. In consolidation, the assets and liabilities of the group companies using a different functional currency than the Euro are translated in Euro using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified in equity, within the "Cumulative translation reserve". Such translation differences are recognized as income or as expenses in the period in which the entity is sold, disposed of or liquidated.
The principal exchange rates versus EUR that have been used are as follows:

	2019		2018	
	Closing rate at 31 December	Average rate for 12 months	Closing rate at 31 December	Average rate for 12 months
Polish Zloty (PLN)	4.2585	4.2988	4.3000	4.2617
United States Dollar (USD)	1.1234	1.1195	1.1450	1.1810

1.6. Property, plant and equipment

Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and less any accumulated impairment loss.

Cost includes the fair value of the consideration given to acquire the asset and any directly attributable cost of bringing the asset to working condition for its intended use (taxes included).

The depreciable amount is allocated on a systematic basis over the useful life of the asset, using the straight-line method on a pro rata temporis basis. The depreciable amount is the acquisition cost.

The applicable useful lives are:

Property, plant and equipment	Years
Buildings	20 to 40
Vehicles	5
Equipment	5 to 10

1.7. Leases

Policy applicable from 1 January 2019
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. All right-of-use assets complying with the definition of Investment property will be presented as Investment property and are recognized at fair value.

The other right-of-use assets will be presented in the most appropriate caption, taking into account the nature of the assets on which the right-of-use has been granted. These other right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. These other right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease lability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate, Generally, the Company uses its incremental borrowing rate as the discount rate.

The incremental borrowing rate is determined as the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:
- to the extent possible, uses recent third-party financing received by the Company as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received, and
- makes adjustments specific to the lease, e.g. considering term, country, currency and applicable securities.

Policy applicable before 1 January 2019
A finance lease that substantially transfers all the risks and rewards incident to ownership, is recognized as an asset and a liability at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

1.8. Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the unit to which the asset belongs.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.9. Investment Property

Investment Property is defined as property (land or a building – or part of a building – or both) held by the owner to earn rentals, realize capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Investment Property, principally comprising land and commercial buildings ("commercial property"), is held for capital appreciation or for the long-term rental yields and is not occupied by the Company.

Investment Property (Under Construction) is carried at fair value. Fair value is determined by external appraisers or by management. In the former case, renowned external appraisers carry out an external inspection of the property and they are provided with the necessary supporting documentation (regarding property title over the involved property, copies of (building) permits, architectural plans, renderings, copies of (preliminary) lease contracts), based on which they prepare their resp. valuation reports.

Gains or losses as a result of changes in the fair value are included in the Income Statement of the year in which they occur. Gains and losses as a result of an Investment Property disposal are considered into the Income Statement of the year in which the disposal occurs (in other operating income or other operating expenses).

The Company distinguishes four different stages for Investment Property:

A. Land without pre-permit approval;
B. Land with a pre-permit approval;
C. Land with a building permit and construction ongoing;
D. Land with a completed building.

The above stages can again be divided in 2 main categories:

1.9.1. Investment Properties under construction (A), (B), (C)

The fair value of the land is determined based on the following methods:
1. Based on comparative method;
2. Based on realizable sqm;
3. Based on residual method.

Fair value of IP(UC) is determined as follows:

- Projects under (A): fair value of the land plus cost of in process development
- Projects under (B): fair value of the land, to the extent the valuation expert has considered the value of the master plan and/or building permit OR fair value of the land plus cost of in process development, to the extent the valuation expert has not yet considered the value of the master plan and/or building permit
- Projects under (C): fair value of the (permitted) land plus construction part at cost, if the below building permit and lease conditions are not (yet) fulfilled
- Projects under (C): fair value of the (permitted) land plus fair value of the construction part, if the below building permit and lease conditions are fulfilled

By consequence, fair value adjustments have been recognized as follows:

- Projects under (A): fair value of the land minus the gross land cost (including purchase price of the land, costs on the purchase, capitalized financial costs and possible goodwill) ;
- Projects under (B): fair value of the land minus gross land cost;
- Projects under (C): fair value of the land minus gross land cost, plus fair value of the construction part minus cost of the construction part, to the extent the above conditions are met.

In assessing the fair value, the Company considers whether both following conditions have been met:
- Building permit on the property has been obtained and
- Binding lease agreements have been signed for over 40% of the net leasable area of the property.

In case the above mentioned conditions are not fulfilled, the fair value of the IPUC (part not included in land) is deemed to be the cost of the in-process development.

In case the conditions are fulfilled, the fair value of IPUC (both land and construction part) will be determined by an independent appraiser report, based on RICS Valuation Standards.

1.9.2. Completed Investment Properties (D)

Investment Properties are considered completed as from the moment the project received its exploitation permit.

Completed Investment Properties are valued by internationally qualified appraisers as of the end of the period, based on market values in accordance with the RICS Valuation Standards.
They are recognized at fair value reflecting the market conditions at the balance sheet date. Market values of the project are calculated based on the Yield method or Discounted Cash Flow method, depending on the type of project, its status and the location.

Fair value of IP is determined as follows
- Projects under (D): fair value of the completed project

By consequence, fair value adjustments have been recognized as follows:
- Projects under (D): fair value of the completed project minus gross land cost, minus cost of the construction part

In the case of a contingent consideration payable for a property acquired, the asset (inventory or IP) is recognized initially at cost, determined based on the fair value of the total consideration paid or payable. The fair value of the contingent consideration is determined based on management's best estimate and recognized as a financial liability. Subsequent changes in the fair value of the liability are recorded via the income statement (and are not part of the asset value).

1.10. (Non-)current assets held for sale and discontinued operations

A (non-)current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. A discontinued operation is a component of an entity, which the entity has disposed of, or which is classified as held for sale, which represents a separate major line of business or geographical area of operations and which can be distinguished operationally and for financial reporting purposes.

For a sale to be highly probable, the entity should be committed to a plan to sell the asset (or disposal group), to an active program to locate a buyer or to complete a plan which was already initiated. In addition, the asset (or disposal group) should be actively marketed at a price which is reasonable in relation to its current fair value, and the sale should be expected to be completed within one year from the date of classification.

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs necessary to make the sale. Any excess of the carrying amount over the fair value less costs to sell is included as an impairment loss. Depreciation of such assets is discontinued as from their classification as held for sale. Comparative balance sheet information for prior periods is not restated to reflect the new classification in the balance sheet.

1.11. Property Development Inventory

Land and premises acquired and held for future development as well as in-process development projects (other than Investment Properties) are classified as inventories. Property Development Inventories mainly comprise residential properties.

Inventories are measured at the lower of cost and net realizable value at the balance sheet date.

The cost of in-process development projects comprises architectural design, engineering studies, geodesic studies, raw materials, other production materials, direct labour, other direct and external borrowing costs directly attributable to the acquisition or construction of the qualifying inventories.

External borrowing costs directly related to the acquisition, construction or production of a qualifying asset are capitalized. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. Capitalization commences when expenditures and borrowings are being incurred for the asset, and ceases when all the activities that are necessary to prepare the asset for its intended use are complete or sale in its current position is possible. The capitalization criteria are usually met as from the date of acquisition of land for building purposes, as activities related to development are usually being undertaken by the Company as from that date.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write-down is necessary when the net realizable value at balance sheet date is lower than the carrying value. The Company performs regular reviews of the net realizable value of its Property Development Inventory, based on feasibility studies, recent transaction data and other available information.

The most recent review indicated that the global net realizable value of the Property Development Inventory of the Company exceeded its carrying amount measured on a historical cost basis in these IFRS consolidated financial statements (Note 7).

Perpetual usufruct and operating lease contracts of land:

The Company holds land in Poland under the right of perpetual usufruct. The right of perpetual usufruct is in substance a long-term land lease that grants the lessee the right to use and administer land owned by the state or local authorities under the terms and conditions of a contract usually concluded for 99 years. The holder of such right is obliged to pay an annual fee during the term of the perpetual usufruct estimated by the state or local authority.

Payments, including prepayments, made under the perpetual usufruct contracts are capitalized to the Property Development Inventories.

The perpetual usufruct held by the Company are recognized in accordance with IFRS 16 “Leases”. In this respect, further reference is made to section 1.3 above and note 26.2.

1.12. Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

The Company recognises loss allowances for Expected Credit Losses (“ECLs”) mainly on financial assets measured at amortised cost and contract assets.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

As the Company has opted for the simplified approach, loss allowances for trade receivables and contract leases are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

In determining the amount of credit losses the Company has considered both quantitative and qualitative information and prepared an analysis, based on the Company’s historical experience and macro-economic information including forward-looking information.

The amount of the allowance is the difference between the asset’s carrying amount and the present value of estimated future cash shortfalls, discounted at the original effective interest rate. The asset‘s carrying amount is reduced through the use of an allowance account, and the amount of the loss is recognized in the Income Statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written down are credited in the Income Statement.

1.13. Financial assets

The Company classifies its financial assets in the following categories: measured at amortised cost, Fair Value through Other Comprehensive Income (‘FVOCI’) and Fair Value Through Profit and Loss (‘FVTPL’). The classification is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

The investments in equity instruments that do not have a quoted market price in an active market are measured at cost (this valuation principle applies mainly to the investments in entities under the control of the ultimate beneficial owners of the Company, not included in the consolidation scope of these financial statements).

Derivative financial instruments are measured at fair value with changes recognized in profit or loss.

For an overview of financial assets (and liabilities) by category in accordance with IFRS 9, reference is made to note 15 below.

1.14. Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

1.15. Share capital

Ordinary shares are classified as equity under the caption “share capital”. When share capital recognized as equity is (re)purchased, the amount of the consideration paid, including directly attributable costs and taxes, it is recognized as a change in equity.

Dividends are recognized as a liability only in the period in which they are approved by the Company’s shareholders.

1.16. Current and deferred income taxes

Income tax on the profit or loss for the year comprises current and deferred income tax.

Income tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years. It is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is recognized, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. Deferred tax is recognized on all temporary differences.

The recognition of deferred tax liabilities on fair value adjustments is based on the assumption that the land and buildings held by the Company will be realized through asset deals. Sales through asset deals mainly apply to the residential projects held by the Company (which are classified as inventory; which is not subject to fair value accounting).

As it is expected that the value of commercial projects will in first instance be realized through use (and not through sale), the recognition of deferred tax liabilities on fair value adjustments is also applied here. Still, the potential capital gain (in the case a commercial project would be sold through a share deal) might be exempted from income tax in some jurisdictions if certain conditions are met. Although the Company is confident that in the case of a share deal these conditions will be complied with, deferred tax liabilities have consistently been recognized, without taking into account those potential tax exemptions.

Currently or substantially enacted tax rates are used to determine deferred income tax. Under this method, the Company is also required to make a provision for deferred income tax on the difference between the fair values of the net assets acquired and their tax base as a result of a business combination.

No deferred taxes are accounted for temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that at the time of the transaction affect neither accounting nor taxable profit, temporary differences relating to the investments in subsidiaries, associates and joint arrangements to the extent that they will probably not reverse in the foreseeable future, and taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized (Note 16).

1.17. Trade and other payables

Trade and other payables are measured at amortized cost. As the impact of discounting is immaterial, trade and other payables are measured at the nominal value.

1.18. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has a contractual right (provided all covenants are fulfilled) to defer settlement of the liability for at least 12 months after the balance sheet date.

1.19. Revenue recognition and result on disposal

Revenue mainly includes sales of property development inventory and rental income.

Sale of Property Development Inventory

Revenue is recognised as control is passed to the customer, either over time or at a point in time.
Revenue is recognised in the income statement (on the line-item Revenue) based on the transaction price in the contract, which is the amount to which the Company expects to be entitled in exchange for the transfer of the property.

In accordance with IFRS 15, the company assesses on a case-by-case basis:

- Whether the agreement, the contract or the transaction falls within the scope of IFRS 15, including by taking into account the probability of the entity recovering the consideration to which it is entitled;
- Whether, under a contract, the sale of the land, the development and the commercialisation represent distinct performance obligations;
- Whether, for each obligation, the revenue is subject to a gradual transfer of control, particularly for projects which satisfy the third criterion defined by IFRS 15.36 ("Performance creating a specific asset and giving rise to an enforceable right to payment for performance completed to date"), and must be recognised gradually.

  In accordance with local laws and legislation, revenue from off-plan apartment sales is recognized at delivery; i.e. through completed contract method.

To the extent a contract contains elements of variable or contingent consideration, the Company will estimate the amount of variable consideration to which it will be entitled under the contract. A variable consideration is only included in the transaction price and will only be recognised to the extent it is highly probable that its inclusion will not result in significant revenue reversal in the future, when the underlying uncertainty has been resolved.

The property disposals might be structured as a sale of shares in a legal entity that holds the property. The sales of real estate projects structured as a sale of shares are presented in these financial statements in accordance with the substance and economic reality of the transactions and not merely with their legal form. Thus, the amount of inventories recognized as an expense during the period referred to as "Cost of Property Development Inventories sold" comprises costs directly related to the property development projects sold during the year. The revenue from sales of properties reflects the consideration transferred of the properties sold.

Rental income

Rental income from Investment Properties leased is recognized on a straight-line basis over the lease term. Lease incentives granted are recognized as an integral part of the total rental income (i.e. are spread over the lease term).

The Company did not enter into any financial lease agreements with tenants; all lease contracts qualify as operating leases.

Sale of Investment Property

Other operating income from the sale of investment property is recognized when the buyer obtains control of the property, for an amount to which the Company expects to be entitled in exchange for the transfer of the property.

The property disposals are often structured as a sale of shares in a legal entity that holds the property. The sales of real estate projects structured as a sale of shares are presented in these financial statements in accordance with the substance and economic reality of the transactions and not merely their legal form. The gain realized on a sold investment property is shown on a net basis as result on disposal of Investment property under "Other operating income" in the income statement.

When an Investment property project is disposed, the result on disposal is determined based on the difference between the sales value per date of disposal and the carrying/ fair value per books at year-end of the previous accounting year.

2. Financial risk management

2.1 Financial risk factors

Due to its activities, the Company is exposed to a variety of financial risks: market risk (including exchange rate risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. Financial risks relate to the following financial instruments: trade receivables, cash and cash equivalents, trade and other payables and borrowings. The Company uses derivative financial instruments (external or internal) on an ad hoc basis to hedge against the exposures arising from the individual transactions significant to the Company as a whole.

Financial risks are managed by the Group's Chief Financial Officer (CFO) and his team. The CFO identifies, evaluates and mitigates financial risks in accordance with the objectives set by the Chief Executive Officer.

2.1.1 Foreign exchange risk

The Company operates internationally and enters into transactions in currencies (US Dollar, Polish Zloty) other than the Company's functional currency, being Euro. The major part of the Company's financial assets and financial liabilities are however denominated in Euro.

The Company concludes all engineering and architectural contracts, main construction contracts and main part of (project) financing contracts in Euro and in PLN. On the other hand, the Company has over the past years issued significant amounts of Polish bearer bonds (with an outstanding amount of 981.8 MPLN as of 31 December 2019). Leasing of the properties is Euro based and eventual later disposal of assets or shares is usually expressed or negotiated in Euro. The Polish Zloty risk is for that related to the mentioned PLN bond issues, some local contracts and the sale prices of residential projects.

But the Company mitigates its currency risk exposure by matching as much as possible the currency of the incomes with that of the expenditures.

As stated, main net foreign currency position which the Company holds at the reporting date relates to the Polish bearer bonds in PLN for a (net) amount of 962.31 KPLN. A 10% strengthening/weakening of the EUR against the PLN rate at 31 December 2019 would resp. have increased/decreased the EBT by approx. 22.8 MEUR. This analysis assumes that all other variables (e.g. interest rates) remain constant.

In addition, trade payables in PLN are outstanding for an amount of 160.3 MPLN. A 10% strengthening/weakening of the EUR against the PLN rate at 31 December 2019 would resp. have increased/decreased the equity by approx. 3.8 MEUR. This analysis assumes that all other variables (e.g. interest rates) remain constant.

When a member of the Service Holding is exposed to eventual currency risks, the Company may choose to enter into an intra-group hedging.

Despite those closely monitored initiatives and as a consequence of its international activity, foreign exchange risks may still affect the Company's financials and results.

2.1.2 Interest rate risk

The Company actively uses external and related party borrowings to finance its property development projects. A property development project's external financing is usually in the form of a bank loan denominated in Euro (see Note 14). Since Ghelamco Invest Sp. z o.o. is issuing bearer bonds (of which 981.8 MPLN outstanding per balance sheet date), Polish projects can also be partly financed through the proceeds of these bonds.

Except for some ad-hoc interest hedging in the past, the Company did not enter into significant external interest rate hedging transactions to eliminate exposure arising from the long-term investment loans over the last 5 years. The Group's management closely monitors the short-term floating rate borrowings and medium term fixed interest rates.

The financing structure reflects major project development phases (acquisition of land, development and holding of the properties) as follows and usually structured within the involved project entity:

- Land acquisition loans (usually provided for a term of two years). The interest is payable at market floating rates (from 1 up to 6 months) increased by a margin.

- Development loans provided until completion of construction and obtaining of the exploitation permit (usually for a term of about two years). The interest is payable at market floating rates (from 1 up to 6 months) increased by a margin. The land acquisition loan is at this stage integrated in the development loan.

- Once the property is completed, leased and meets all ongoing covenants, the development loan allocated to it can be turned into an investment loan usually provided for a period of five years beginning from the signing of the investment loan agreement and repayable upon sale or refinancing of the property. The banks are usually willing to increase development loans up to an amount that reflects 65% to 75% of the property's market value, once all ongoing covenants are met. The interest is usually a mix of floating and fixed rates. In addition, the capital is reimbursed at a level between 4% and 7% per annum (on average), payable on a quarterly base together with the accrued interest.

- For the Polish projects: 981.8 MPLN proceeds from bond issues with a term of 3 to 5 years and bearing an interest of Wibor 6 months + 3.5%-4.5%; proceeds of which can be used over the resp. project development stages.

The Company actively uses related party borrowings provided by the Ghelamco Group Financing Vehicles acting as financial intermediaries (mainly Milovat at 31 December 2019) to finance the property development projects in Poland. These related party (EUR) loans bear interest at market floating interest rates.

For sensitivity analysis, reference is made to disclosure 14 on interest-bearing loans and borrowings.

2.1.3 Operational risk (price risk in first instance)

Price risk
Raw materials, supplies, labour and other costs directly related to the construction projects constitute a major part of the property development assets capitalized in the accounts of the Company's project companies.
Although construction prices may substantially vary during each accounting year, the Company succeeds in reducing its operational risk by either entering into fixed price contracts or into open book contracts with related and unrelated companies.
Property projects are usually realized in cooperation with parties related to the Company (see Note 27.2).

Market research
Before starting an investment, the Company's management teams have performed their market research, comprising the following:
- status of the project's current zoning (and in the forthcoming case timing for necessary rezoning)
- attitude of the local government towards a particular project
- are comparable projects being launched (timing and location)
- type of potential buyers/tenants - reasonable delivery date of the project
- projected sale/lease prices at the date of delivery
- yield expectations at that time
- time frame to achieve 50%-60% leasing level

Permit risk
A detailed advance study of the existing master plan or zoning plans substantially reduces the risks on obtaining building permits. On this issue, it is the Ghelamco Group's policy to closely monitor new construction regulations or esthetical preferences of the city authorities. One should of course differentiate between the type of projects, their location and specific country principles.

Construction risk
Construction risks are monitored by Ghelamco Group in-house engineers. They define the construction cost as from the date of the feasibility study and take full responsibility for material discrepancies. Therefore, fine-tuning of budgets, choice of materials, construction techniques and construction prices is a constant process within Ghelamco Group. This avoids cost overruns and delivery delays.
The Company also maintains full control over the building site coordination of (sub) contractors through its team of site managers.

Engineering risk
The Company has to remain in control for the design, layout and structural or finishing elements of the building. Any change in engineering automatically leads to cost increases or decreases. That is why the Company hardly ever outsources these tasks outside the Ghelamco Group.

Financing risk
The Company relies since years on framework agreements with the majority of its banking partners. The parameters of the framework can vary due to economic circumstances, but the framework remains workable as a whole. Before starting up the construction works (or contracting with subcontractors), the Company expects to have received already a (non-)binding term sheet from its banking relations.
In the past five years, the Company in addition proved to be able to call upon alternative financing through the issue of bearer bonds (981.8 MPLN total outstanding as of 31 December 2019, see infra).

Commercial risk
Certain major projects require (internal) pre-lease levels, depending on different parameters, mostly triggered by the project's (large) scale, changed market circumstances or project type. Smaller projects are started up without pre-leases. This set-up immediately triggers the intense involvement of both the internal commercial departments and the external brokers. So far, the Company's track record shows a significant leasing level (of already 50% or more) before the end of construction works.

Investment market risk
Each developer or investment fund is influenced by the currently applicable yield expectations. Therefore, good project timing is essential. While securing the construction financing, the Company also negotiates a binding transition from construction loan into investment loan. This allows us to keep the property in portfolio and to wait for attractive offers of investors.

2.1.4 Credit risk

Some limited credit risk may arise from credit exposures with respect to rental customers/ tenants (to a significant extent renowned international companies) and outstanding balances with related parties. The group entities are setting credit limits based on financial information and business knowledge, which are duly approved by management. No major allowances for non-payment were necessary in the current or previous year. The credit risks on residential buyers are limited by the conditions in the notary deeds.

For further analysis, reference is made to note 9.

2.1.5 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet the Company's liquidity needs. Due to the dynamic nature of the underlying business activities, the Company actively uses external and related party funds to ensure that adequate resources are available to finance the Company's capital needs. The Company's liquidity position is monitored by management, based on 12 months rolling forecasts.

The maturity analysis for financial liabilities that shows the remaining contractual maturities is presented in Note 14.

We also refer to note 11 and note 14.1 where the available financing is described.

2.1.6 Economic risk

The Company's projects are operated through subsidiaries located and operated in Poland, held through a Cypriot holding structure. As a result, the operation of these projects and the upstreaming of related revenues are subject to certain inherent risks to these countries which may include, but are not limited to unfavourable political, regulatory and tax conditions.

2.2 Capital risk and balance sheet structure management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to support the strategic growth plans of the Company.

During the past years, all profits have been re-invested. Per end September 2016, the Company's capital (share premiums included) was in first instance increased by 33.3 MEUR through the contribution in kind of 60% of the shares of Apollo Invest Sp. z o.o. by Elzenwalle NV (related party belonging to the Portfolio Holding) and subsequent sale of the resulting Granbero participating interest by Elzenwalle to Ghelamco Group Comm. VA. In addition, per end November 2016 the Company declared a dividend of 430 MEUR to its parent company, Ghelamco Group Comm. VA, which the latter has immediately afterwards again capitalized for the same amount (in share capital and share premiums).

The management's focus is to a significant extent set on financial support of its expansion plans. In order to maintain or optimize the capital structure, the Company may decide to issue bonds or similar financial instruments in the international financial markets. Company management closely monitors solvency, liquidity, return on invested capital and profitability levels.

The Company monitors capital primarily based on the solvency ratio. This ratio is calculated as total equity divided by the balance sheet total. The solvency ratios at 31 December 2019 and 2018 were as follows:

	2019	**2018**
Equity	809,864	725,897
Total assets	1,430,270	1,173,613
Solvency ratio	**56.6%**	**61.9%**

3. Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and assumptions are based on historical experience and various other factors that are considered reasonable under the circumstances, the results of which form the basis of judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects future periods.

In addition to the estimates already explained in the accounting policies, the estimates and assumptions that might significantly affect the valuation of assets and liabilities are outlined below.

Write-down of inventory

The risk of impairment arises from uncertainties typical to the real estate development industry. At the balance sheet date no write downs to net realizable value have been recognized on inventory items.

No significant impairment losses were deemed necessary in 2019 and 2018.

Income taxes

The Company operates within a thoroughly regulated environment. Deferred tax is determined based on each legal entity's tax position and is reviewed on each balance sheet date to take account of the impact of changes in the tax laws and the probability of recovery.

Basic Company Income Tax levels (excluding tax exemptions or other incentives):

Poland :	19% (to 15% if some conditions are met)
Cyprus :	12.5%

Fair value estimation

The carrying value less impairment write down of trade receivables and payables are assumed to reflect their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

In conformity with IFRS 9 and to the extent applicable, all derivatives are recognized at fair value in the balance sheet.

With respect to the determination of fair value of IP(UC), we refer to section 1.9 above.

Granbero Holdings – Consolidated Financial Statements at 31 December 2019 (in KEUR)

4. List of subsidiaries

Granbero Holdings Ltd. subsidiaries included in these IFRS consolidated financial statements are as follows:

Entity description	Country	31/12/2019 % voting rights	31/12/2018 % voting rights	Remarks
Apollo Invest Sp. z o.o	PL	100	100	
Prima Bud Sp. z o.o.	PL	70	70	
Ghelamco Invest Sp. z o.o	PL	100	100	
Ghelamco GP 1 Sp z o.o	PL	100	100	
Ghelamco GP 1 Sp. z.o.o. Konstancin SKA	PL	100	100	
Ghelamco GP 1 Sp. z.o.o. Port Żerański SKA	PL	100	100	
Ghelamco GP 8 Sp. z.o.o. Dahlia SKA	PL	100	100	
Tilia BIS Sp. z o.o (former Ghelamco GP 1 SP. z.o.o. Tilia SKA)	PL	100	100	
Innovation Bud Bis Sp. z o.o. (former Innovation SKA)	PL	100	100	
Sobieski Towers Sp. z o.o. (formerly Ghelamco GP 9 Sp. z.o.o. Sobieski Towers Sp.k.)	PL	100	100	4.3
Ollay Sp. z.o.o. Market SKA	PL	100	100	
Erato Sp. z.o.o. (former Ghelamco GP 1 Sp. z.o.o. Erato SKA)	PL	100	100	
Oaken Sp.z.o.o. Pattina SKA	PL	100	100	
Ghelamco GP 1 Sp. z.o.o. Unique SKA	PL	70	70	
Octon Sp.z.o.o. PIB SKA	PL	100	100	
Ghelamco GP 1 Sp. z.o.o. Vogla SKA	PL	100	100	
Ghelamco GP 5 Sp. z o.o. (former Fusion Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 11 Sp. z.o.o. the HUB SKA (former Ghelamco GP 5 Sp. z.o.o. Sienna Towers SKA)	PL	100	100	
Ghelamco GP 4 Sp. z.o.o. SBP SKA	PL	100	100	
Ghelamco GP 5 Sp. z.o.o. Foksal SKA	PL	100	100	
Ghelamco GP 3 Sp. z o.o. (former Belle Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 3 Sp. z.o.o. Wronia SKA	PL	0	100	4.2
Ghelamco GP 7 Sp. z o.o. (former Power Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 7 Sp. z.o.o. Postępu SKA	PL	100	100	
Ghelamco GP 2 Sp z o.o	PL	100	100	
Ghelamco GP 4 Sp. z o.o. (former Betula Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 2 Sp. z.o.o. M12 SKA	PL	100	100	
Ghelamco GP 6 Sp. z o.o. (former Opportunity Invest Sp. z o.o)	PL	100	100	
Ghelamco GP 6 Sp. z.o.o. HQ SKA	PL	100	100	
Ghelamco GP 3 Sp. z.o.o. Isola SKA	PL	100	100	
Ghelamco GP 8 Sp.z o.o.	PL	100	100	
Ghelamco GP 2 Sp. z.o.o. Sigma SKA	PL	100	100	
Ghelamco Garden Station Sp.z o.o.	PL	99	99	
Creditero Holdings Ltd.	CY	100	100	
Ghelamco Gdanska Pl Sp. z o.o.	PL	100	100	
Warsaw Spire Management Sp. z o.o.	PL	100	100	
Ghelamco GP 10 SP. Z o.o. (former Chopin Project sp. z o.o.)	PL	100	100	
Ghelamco GP 2 Sp. z.o.o. Synergy SKA	PL	100	100	
Ghelamco GP 16 Sp. z.o.o. Canna SKA	PL	100	100	
Ghelamco GP 10 Sp. z.o.o. Azira SKA	PL	100	100	
Laboka Holdings Ltd	CY	100	100	

Esperola Ltd	CY	100	100	
Woronicza Sp. z.o.o.	PL	100	100	
Milovat Ltd	CY	100	100	
P22 Lódz Sp. z.o.o.	PL	50	50	*
Ghelamco GP 1 Sp. z.o.o. Azalia SKA	PL	70	100	4.4
Estima Sp. z.o.o.	PL	70	n/a	4.4
Laboka Poland Sp. z.o.o.	PL	100	n/a	

(*) Held in a 50/50 joint venture structure and for that included in the financial statements under the equity method

Real estate acquisitions and disposals (including plots of land) often involve the transfer of a company that holds the property and/or real estate activities.

Most subsidiaries (except for the Holding, sub-holding(s) and Financing Vehicle) are such special purpose real estate entities created to structure real estate transactions (acquisition of land and real estate development activities).

The summary of incorporations, acquisitions and disposals of subsidiaries (and other business units) realized by the Company during the year ended on 31 December 2019 is presented below. The acquisitions and disposals of real estate subsidiaries are treated in accordance with the accounting policy as described in section 1.5.2 and 1.5.3 (and not in accordance with IFRS 3 on Business Combinations).

4.1 Acquisitions and incorporations of subsidiaries

In the course of 2019 some new SPV's have been acquired or incorporated and are (directly or indirectly) held for 100% by the Company. All have in addition been acquired or incorporated for (directly or indirectly) holding future real estate developments. It concerns the following SPV's: Arifa SKA, NCL B1 SKA, NCL B2 SKA, and NCL B3 SKA.
Above transactions have had limited to no impact on the Company's 2019 consolidated financial statements.

4.2 Disposal of subsidiaries

On 26 April 2019, the shares of Ghelamco GP 3 Sp. z o.o., project company holding the Wronia project (16,600 sqm office space in Warsaw CBD) have been sold to LaSalle Investment Management. The transaction was completed through a share deal based on an underlying value of the property of 74 MEUR. At closing also an amount of 40.7 MEUR of bank loans has been reimbursed.

4.3 Mergers, de-mergers and liquidations of subsidiaries

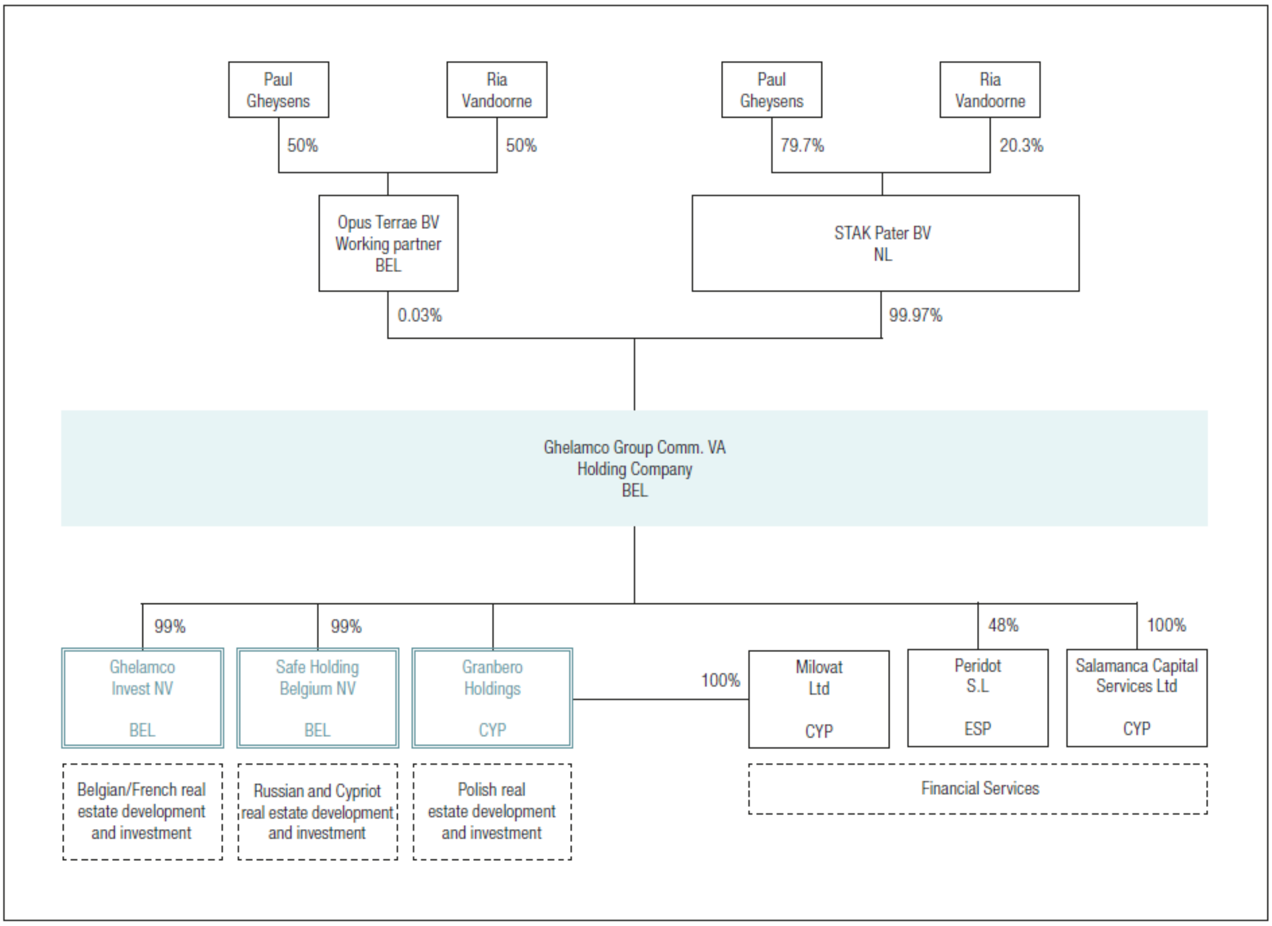
In the course of 2019, Ghelamco GP 9 Sp. z o.o. Sobieski Towers Sp.k. and Ghelamco GP 9 Sp. z o.o. Altona S.K.A. have been merged into a new entity Sobieski Towers Sp. z o.o. As a result of the merger, the involved SPV's have been liquidated and their rights and obligations have been transferred into the merged entity. The merger transaction had a limited to zero impact on the Company's consolidated financial statements as of 31 December 2019.

4.4 Transfer of subsidiaries

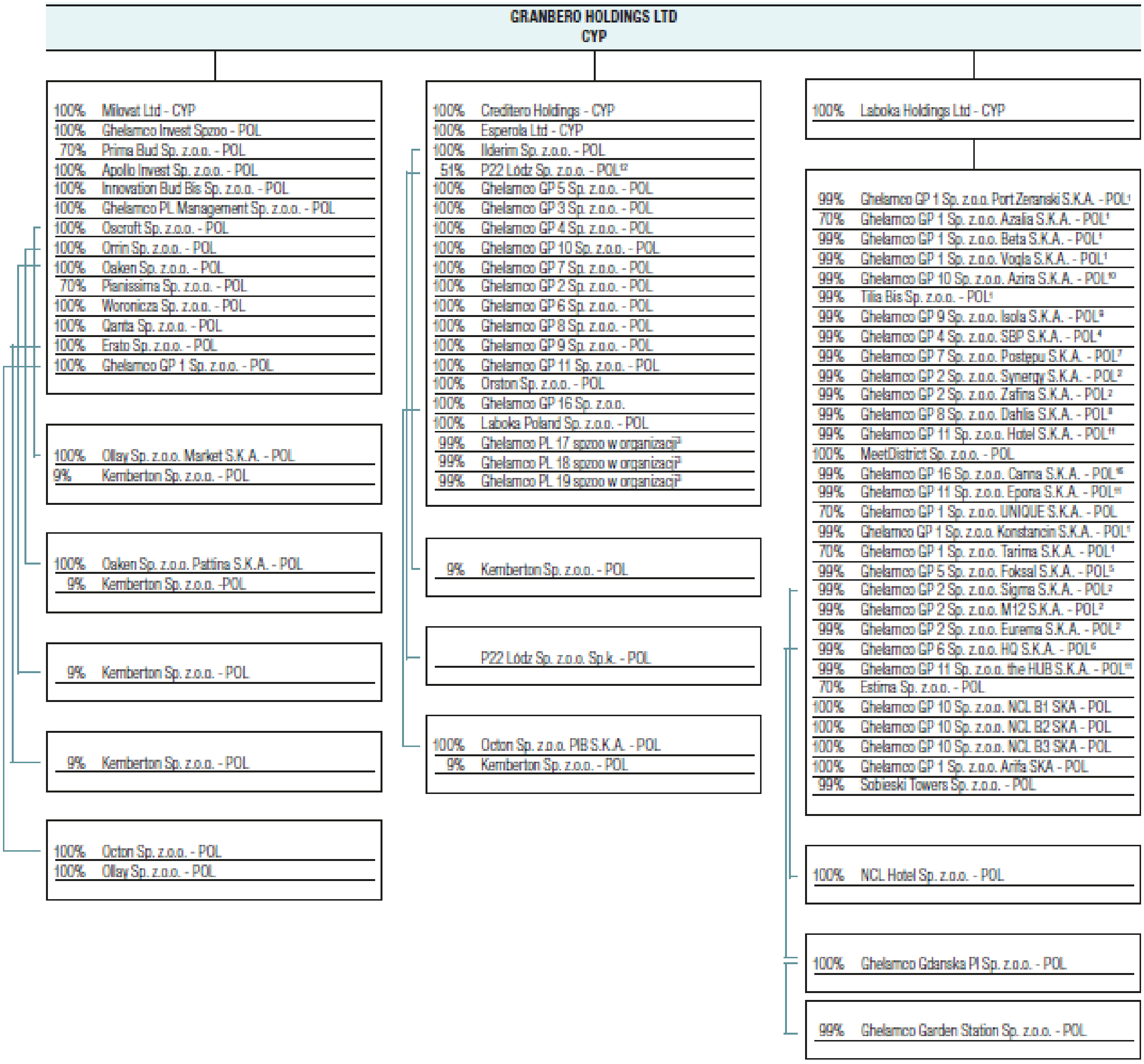
In the course of 2019, Laboka Ltd (subsidiary of the Company) has sold 30% of its shares in Azalia and Estima to Deus Comm. VA, which is the holding company of the Portfolio Holding. Also, Granbero Ltd. has sold 30% of its shares in Pianissima Sp. z o.o., shelf company, to Deus Comm. VA. The shares have been sold at arm's length. These sales transactions only had a limited impact on the Company's consolidated financial statements as of 31 December 2019.
For the remainder, no other (share) transactions with related parties took place in 2019.

5. Group structure

5.1. Investment Holding as per 31 December 2019



5.2. Polish Real Estate Development and Investment as per 31 December 2019



[1] remaining participation at general partner Ghelamco GP 1 Spzoo, [2] remaining participation at general partner Ghelamco GP 2 Spzoo, [3] remaining participation at general partner Ghelamco GP 3 Spzoo, [4] remaining participation at general partner Ghelamco GP 4 Spzoo, [5] remaining participation at general partner Ghelamco GP 5 Spzoo, [6] remaining participation at general partner Ghelamco GP 6 Spzoo, [7] remaining participation at general partner Ghelamco GP 7 Spzoo, [8] remaining participation at general partner Ghelamco GP 8 Spzoo, [9] remaining participation at general partner Ghelamco GP 9 Spzoo, [10] remaining participation at general partner Ghelamco GP 10 Spzoo, [11] remaining participation at general partner Ghelamco GP 11 Spzoo, [12] remaining participation at Budomal Estate (not a Ghelamco company) [16] remaining participation at general partner Ghelamco GP 16 Spzoo

6. Investment Property

The Company's current strategy is to keep commercial property for rental purposes while residential properties are dedicated for sale.

Plots of land held, for which the management determines that the plot will be used in a project generating rental income, are classified as Investment Properties on 31 December 2019 and 31 December 2018.

Investment Properties are stated at fair value determined either by independent appraisers or by management and are classified in four categories:

A. Land without pre-permit approval, held for capital appreciation or undetermined use (fair value usually based on comparative method);
B. Land with pre-permit approval held for development and investment (fair value based on the potential of constructing leasable sqm);
C. Land + Construction ongoing (fair value based on the residual method);
D. Completed Projects held for investment.

SPV	**Commercial Name**	**Valuation**	**Cat**	**31/12/2019**	**31/12/2018**
				KEUR	**KEUR**
POLAND					
Apollo Invest Sp. z o.o.	The Warsaw UNIT	Savills	C	108,651	69,719
Postępu SKA	Postępu Business Park	KNF	B	7,190	7,246
Sienna Towers SKA/ HUB SKA	The HUB	KNF	C	373,170	199,334
Sobieski SKA	Sobieski Tower	BNP	B	34,447	33,429
Market SKA	Mszczonow Logistics	Man	A	2,832	2,824
SBP SKA	Synergy Business Park Wroclaw	JLL	B	25,782	25,138
Grzybowska 77 Sp.k. + Isola SKA	Grzybowska	KNF	D/A	32,143	25,023
Wronia SKA	Wronia 31	n/a	n/a	0	64,386
Sigma SKA	Chopin + Stixx	KNF	B/D	44,335	41,896
Vogla SKA	Wilanow Retail	Savills	D/A	16,200	16,300
Dahlia SKA	Woloska 24	Cresa	D	57,890	56,222
Synergy SKA	Katowice	JLL	A	3,900	3,700
Azira	NCL (Lodz)	Savills	C	27,891	21,419
Estima SKA	Kreo (Wadowicka Krakow)	Cresa	C	9,121	0
Right of use asset		Man	n/a	20,677	0
TOTAL :				**764,229**	**566,636**

Legend: KNF = Knight Frank, JLL = Jones Lang Lasalle, ASB = Asbud, Cresa = Cresa, BNP = BNP Paribas real estate, Savills = Savills, Man = Management valuation

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Balance at 1 January 2018	**436,339**
Acquisition of properties	
Acquisition through business combinations	
Subsequent expenditure	**115,601**
Transfers	
- Assets classified as held for sale	**-29,169**
- Other transfers	**13,139**
Adjustment to fair value through profit or loss	**38,413**
Disposals	
CTA	**-7,687**
other	
Balance at 31 December 2018	**566,636**
Acquisition of properties	
Acquisition through business combinations	
Subsequent expenditure	**144,134**
Transfers	
- Assets classified as held for sale	
- Other transfers	
Adjustment to fair value through profit or loss	**93,447**
Disposals	**-64,386**
CTA	**3,721**
other	**20,677**
Balance at 31 December 2019	**764,229**

Categories	A	B	C	D	Total
Balance at 1 January 2018	**45,668**	**162,114**	**101,479**	**127,078**	**436,339**
Acquisition of properties					0
Acquisition through business combinations					0
Subsequent expenditure (*)	-52	4,652	84,627	18,687	107,914
Transfers					
- Assets classified as held for sale				-29,169	-29,169
- Other transfers	-14,899	-37,028	57,857	7,209	13,139
Adjustment to fair value	830	-610	25,090	13,103	38,413
Disposals					0
Other					0
Balance at 31 December 2018	**31,547**	**129,128**	**269,053**	**136,908**	**566,636**
Acquisition of properties					0
Acquisition through business combinations					0
Subsequent expenditure (*)	2,128	2,448	142,313	966	147,855
Transfers					
- Assets classified as held for sale					0
- Other transfers		-21,419	21,419		0
Adjustment to fair value	5,200	1,597	86,048	602	93,447
Disposals				-64,386	-64,386
Other					0
Balance at 31 December 2019	**38,875**	**111,754**	**518,833**	**74,090**	**743,552**
Right of use asset					20,677
					764,229

(*) in this detailed overview net of CTAs (and other)

In the first half of 2019, project company Estima acquired a plot of land in Krakow at a purchase price of approx. 5.9 MEUR for the development of a 24,100 sqm office project. Demolition (of the existing, old building) has started end 2019 and has been finalised early 2020.

Main expenditures of the year have been incurred on the Warsaw HUB and the Warsaw Unit.

The Wronia project (16,600 sqm office space in Warsaw CBD) was sold on 26 April 2019 to a LaSalle Investment Management. The share deal was based on a transaction value of 74 MEUR and resulted in a gain on disposal of investment property of 2.0 MEUR (and the realisation of previously recognized cumulated fair value adjustments of 31.7 MEUR).

For the right of use balance which was recognized in connection with the first-time adoption of IFRS 16, reference is made to section 1.3 above and note 26.2.

<u>Asssets held for sale</u>

The .BIG project (10,200 sqm office space in Krakow) has on 17 January 2019 been sold to Credit Suisse. The sale was structured as an enterprise deal (sale of assets plus related obligations), based on a transaction value of 32.9 MEUR and a yield of 5.59%. The sale resulted in a gain on disposal of investment property of 2.2 MEUR (and the realisation of previously recognized cumulated fair value adjustments of 8.0 MEUR). In connection with the anticipated sale, this project was per end 2018 already transferred from Investment property to Assets held for sale.

Amounts that have been recognized in the Income Statement include the following:

KEUR	2019	2018
Rental income	8.178	8.957

The rental income for 2019 relates to the rent from commercial projects (mainly Woloska 24, Wronia and Plac Vogla). The decrease compared to last year is mainly connected to the sale of the .BIG project (in January 2019) and the Wronia project (end of April 2019) to third party investors.

Significant assumptions and sensitivity analysis

Main part of Polish IP(UC) relates to office projects (with often retail space on the ground floor), which are valued based on the residual method (for IPUC) and income approach/yield/DCF method (for delivered projects).
For IFRS 13 purposes, IP(UC) projects are categorized in level 3.

The average yields (or capitalization rates) used in the expert valuations on 31 December 2019 are as follows:

- 4.25% to 7.50% for Polish projects, depending on the location, specifics and nature of the project (vs. 5.25% to 7.50% last year).

The average rent rates used in the expert valuations are as follows:

- 12.5 EUR/sqm/month to 23.0 EUR/sqm/month for office space (vs. 12.5 EUR to 23.0 EUR last year),
- 8.30 EUR/sqm/month to 45.0 EUR/sqm/month for retail space (vs. 8.26 EUR to 24.21 EUR last year), depending on the location, specifics and nature of the project.

On 31 December 2019, the Company has a number of income producing investment property in portfolio (category D) which are valued at 74,090 KEUR (Woloska 24 and Wilanow Retail). An increase/decrease of 100 basis points in the yield, with all other variables held constant, decreases/increases the value by approx. 8,923 KEUR.

The investment properties (under construction) (category B and C) are valued using a number of assumptions in terms of e.g. construction cost, expected rental values etc. that are interlinked and for which a sensitivity analysis per variable would not make sense.

We also refer to note 1.9 for a description of the valuation process and methodology.

7. Property Development Inventory

The Property Development Inventories amount to 94,229 KEUR on 31 December 2019 (vs 62,058 as per 31 December 2018).

	Carrying value (at cost) at 31 December 2019 - KEUR	Carrying value (at cost) at 31 December 2018 - KEUR
POLISH PROJECTS		
Axiom/Konstancin	5,656	5,585
Foksal	36,234	26,403
Port Zeranski	3,579	3,427
Erato Invest	3,627	3,583
Pattina Invest	2,962	1,720
P.I.B.	3,017	3,033
Woronicza (formerly Proof Invest) - Q-Bik soft lofts	-	1,096
Innovation Bud Bis	23	24
Unique SKA (Pl Grzybowski)	8,228	7,629
Garden Station SP. z o.o.	1,372	1,375
Tillia/ Flisac	11,798	8,134
Prima Bud/ Lomianki	8,424	-
Kemberton	5,932	-
Right of use asset	3,293	-
Other	84	49
TOTAL POLAND	**94,229**	**62,058**

The property development inventories increased by 32,171 KEUR compared to prior year. The main movements are noted in the Woronicza Qbik balance (-1,096 KEUR to 0 KEUR) in line with current year's sales of the last units, the Foksal balance (+9,831 KEUR to 36,234 KEUR) in connection with the progress of the construction works of this high-end residential project and the Tillia balance (+3,664 KEUR to 11,798 KEUR) connected to the construction works of the residential Flisac project.

In addition, end October 2019, project company Prima Bud acquired a plot of land in Lomianki (suburb of Warsaw) for the future construction of approx. 5,500 sqm of retail space. Purchase price amounted to 9,618 KPLN (+23% VAT). Construction works already started earlier, based in 'land rental agreement' (right in rem) with the seller. Per year-end construction works were in the finalisation stage.

Also, Kemberton Sp. z o.o. incurred some acquisition costs and/or advance payments in connection with the acquisition of a plot in Warsaw.

The carrying value of inventories has been supported by feasibility studies based on the expected development scenario or recent sales transactions.

Further reference is also made to section 3.

For the right of use asset balance which was recognized in connection with the first-time adoption of IFRS 16, reference is made to section 1.3 above and note 26.2.

8. Equity accounted investees

Equity accounted investees amount to 0.1 KEUR and relate to the (50%) participating interest in P22 Lódz Sp. z. o o., which is connected to a plot for the future development of an office project.

Main balance sheet and income statement captions for the entity are the following:

2019:

		P22 Łódź
Current assets	3,279	
of which cash and cash equivalents		107
Non-current assets	3	
Current liabilities	655	
curr. fin. liab. (excl. trade and other payables and provisions)		491
Non-current liabilities	2,812	
non-curr. fin. liab. (excl. trade and other pay. and provisions)		2,812
Revenue	8	
Loss before income tax	-12	
income tax expense (-) or income (+)	4	
Loss of the year	-8	

2018:

		P22 Lódz
Current assets	3,102	
of which cash and cash equivalents		110
Non-current assets		
Current liabilities	492	
curr. fin. liab. (excl. trade and other payables and provisions)		492
Non-current liabilities	2,785	
non-curr. fin. liab. (excl. trade and other pay. and provisions)		2,785
Revenue	8	
Loss before income tax	-175	
income tax expense (-) or income (+)	-1	
Loss of the year	-176	

9. Non-current receivables & prepayments and current trade & other receivables

9.1 Non-current receivables & prepayments

	Note	31/12/2019	31/12/2018
Non-current			
Receivables from related parties	27.3	327,403	308,248
Trade and other receivables		5,074	8,410
Total non-current receivables and prepayments		**332,477**	**316,658**

Non-current receivables from related parties

All non-current loans to related parties are granted for a term of 3 to 5 years.
Contractual interest rates on non-current receivables to related parties for 2019 were as follows: Euribor/ Libor + margins in the range between 2% and 4%.

Further reference is made to Note 27.3.

Receivables from related parties mainly relate to loans receivable towards Peridot SL (Spain), Salamanca Ltd (Cyprus) and Ghelamco Group Comm. VA, parent company of the Company.These loans have been granted mainly for the financing of other projects under the control of the ultimate beneficial owners.

Non-current trade and other receivables

Non-current trade and other receivables as of 31 December 2019 mainly consist of:

- Master lease and rental guarantee retentions in connection with the disposal of Marynarska 12/T-Mobile Office Park: 267 KEUR
- Capitalised rent free and agency fees at the level of Dahlia SKA, in connection with the leasing of the Woloska 24 project: 582 KEUR
- Capitalised rent free and agency fees at the level of The Hub SKA, in connection with the leasing of the HUB project: 687 KEUR
- Other loans receivable: 2,661 KEUR.

The carrying amounts of non-current receivables reflect their fair value determined based on the future cash flows discounted at the prevailing rate for a similar instrument for an issuer with a similar rating.

9.2 Current trade & other receivables

	Note	31/12/2019	31/12/2018
Current			
Receivables from related parties	27.3	29	1,490
Receivables from third parties		2,704	3,313
Less: allowance doubtful debtors (bad debt provision)		0	0
Net trade receivables		2,733	4,803
Other receivables		4,930	4,343
Related party current accounts	27.3	110,125	112,351
VAT receivable		15,188	11,875
Prepayments		2,055	1,955
Interest receivable		36,547	28,287
Total current trade and other receivables		**171,578**	**163,614**

Current trade and other receivable

The carrying amounts of trade and other receivables reflect their fair values determined based on the future cash flows discounted at the prevailing rate for a similar instrument of an issuer with a similar credit rating.

Trade receivables with related parties (and prepayments, see below) include invoices for construction, engineering and other services as described in Note 27.3.

Outstanding balance on related party current accounts receivable (110,225 KEUR in total) is mainly towards Ghelamco Group (105,624 KEUR), Tallink Investments (2,473 KEUR) and Ghelamco European Property Fund (2,028 KEUR) and relates to short-term deposits of excess funds by the Company.

Prepayments

The current year prepayments mainly relate to downpayments for the ongoing construction works in the residential Foksal and Flisac projects in Warsaw.

Last year’s prepayments balance mainly represented down payments (and related costs) for an amount of 1,620 KEUR at SPV Prima Bud for the acquisition of the Lomianki land plot, for the development of a trade and service centre.

Interest receivable

The interest receivable balance includes interests receivable from related parties for an amount of 35,730 KEUR. The evolution compared to last year is attributable to the significant level of outstanding related party receivable balances and the timing of collection of outstanding interest receivables.

VAT receivable

The outstanding balance as of 31 December 2019 relates to VAT receivables, mainly on the following projects: the Warsaw UNIT, the Warsaw HUB, Woloska 24 and Lomianki.

The SPVs involved may either apply to the tax authorities for an immediate cash refund of the VAT receivables or may offset the VAT receivable against any VAT payables.

VAT receivables are the result of VAT paid on the development and construction expenditures.

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Credit risk exposure and impairment

Trade and other receivables disclosed above are classified as amortised costs items and thus measured at amortized cost. The amounts presented in the balance sheet are, to the extent applicable, after allowances for doubtful receivables.

The Company recognises loss allowances for ECLs on trade and other receivables, in connection with the requirements of IFRS 9.

The maximum exposure to credit risk on the reporting date is the carrying amount of each class of financial assets mentioned above. The Company does not hold any collateral as security over these balances, as a large part of accounts receivable balances are with related parties, controlled by the ultimate shareholders of the Ghelamco Group.

As of 31 December 2019 and 2018, trade and other receivables disclosed above do not include significant amounts which are past due at the end of the reporting period and against which the Company has not recognized an allowance for doubtful receivables, as deemed necessary.

Based on the ECL analysis, the Company did not identify material impairment losses on the date of initial application or at year-end.

10. Derivatives

There are no outstanding balances related to the market value of derivatives as of 31/12/19 and 31/12/18.

Also refer to section 2.1.1 above.

11. Cash and cash equivalents

	31/12/2019	**31/12/2018**
Cash at banks and on hand	64,539	32,313

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits may be made for various periods not more than three months, depending on the Company's immediate cash requirements, and earn interest at the respective short-term deposit rates.

The Company also has access to the following additional sources of financing:

- additional capacity on the debt ratio (Ghelamco chooses to keep a substantial margin on the Loan to Value ratio);
- potential to take up further financing on completed projects based on Loan to Value (LTV) instead of Loan to Cost (LTC);
- access to alternative financing under the form of bond issuance and mezzanine equity financing. In this respect reference is made to the resp. bearer bonds issues in Poland (981.8 MPLN total outstanding bonds at 31 December 2019).

Cash is held with reputable banks. For that, the credit risk on cash balances is deemed low.

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12. Share capital and share premiums

	31/12/2019	31/12/2018
Authorised capital	67	67
Share premiums	495,903	495,903
issued and fully paid	495,970	495,970

Authorised capital consists of 67,335 shares, fully paid.

At 31 December 2019, the Company's direct shareholders are:

- **Ghelamco Group Comm VA** (Belgium) - 100%

12.1 Distribution of dividends by the Company

In the course of 2019 and 2018, no dividends have been declared or distributed.

12.2 Non-Controlling Interests

	31/12/2019	31/12/2018
Balance at beginning of year	7	7
Share of profit for the year		
Acquistions/disposals	4	
Balance at end of year	**11**	**7**

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13. Reserves and retained earnings

Reserves and retained earnings on the balance sheet date are as follows:

	Cumulative translation reserve	Retained earnings
At 1 January 2018	-2,593	203,289
Cumulative translation differences (CTA)	3,470	
Dividend distribution to the ultimate shareholders		
Change in the consolidation scope		-10
Other		-31
Profit for the year		25,795
At 31 December 2018	**877**	**229,043**

	Cumulative translation reserve	Retained earnings
At 1 January 2019	877	229,043
Cumulative translation differences (CTA)	2,338	
Dividend distribution to the ultimate shareholders		
Change in the consolidation scope		-122
Other		7
Profit for the year		81,740
At 31 December 2019	**3,215**	**310,668**

14. Interest-bearing loans and borrowings

		31/12/2019	31/12/2018
Non-current			
Bank borrowings – floating rate	14.1	231,601	132,348
Other borrowings	14.2/3	172,971	157,178
Lease liabilities	26.2	21,792	83
		426,364	**289,609**
Current			
Bank borrowings – floating rate	14.1	13,016	32,146
Other borrowings	14.2/3	75,967	49,266
Lease liabilities	26.2	2,185	
		91,168	**81,412**
TOTAL		**517,532**	**371,021**

14.1 Bank Borrowings

During the year, the Company obtained new secured bank loans expressed in EUR and PLN and drew on existing credit facilities for a total amount of 143 MEUR, all Euribor and Wibor based. On the other hand, reimbursements and refinancings have been done for an amount of 62.5 MEUR, net of prolongation of a number of borrowings; bringing the total outstanding amount of bank borrowings to 244.6 MEUR (compared to 164.5 MEUR at 31/12/2018).

When securing debt finance for its (larger) projects, the Company always negotiates long-term agreements with its banks. Under these agreements, the bank swaps land acquisition loans (2-year term) into development loans (additional 2 year term) and swaps development loans into investment loans (mostly 5 years term) upon the fulfilment of pre-agreed conditions.
Most banking partners of the Company have accepted the above as a “framework” for past, current and future co-operation.

For the purpose of these financial statements, the Company treated its bank borrowings (or the maturing part of it) as current when the swap date from “acquisition loan into development loan” falls within the next accounting year (see Note 1.18 and 2.1.2.).

At 31 December 2019, the Company has bank loans available to be drawn for a total amount of 223.5 MEUR which is merely a result of the Company entering into a construction and facility agreement of 221.1 MEUR for the financing of the construction of the (mixed use office, hotel and retail) Warsaw Hub project in the previous year and a new construction and facility agreement of 135.9 MEUR for the financing of the construction of the Warsaw Unit project in the current year.

As stated above, the .Big project in Krakow and the Wronia project in Warsaw have in the course of 2019 been sold to third party investors. At the moment of sale of these projects, bank loans have been reimbursed for resp. 16.8 MEUR and 40.7 MEUR.

With respect to the outstanding short-term borrowings, it is to be mentioned that, in the course of 2020, part of remaining short-term debt will actually be reimbursed following the contractual terms and part will be prolonged or refinanced (e.g. through a swap to investment loan).
Summary of contractual maturities of external bank borrowings, including interest payments.

	31.12.2019				**31.12.2018**			
	<1 y	**between 2 and 5 y**	**>5y**	**total**	**<1 y**	**between 2 and 5 y**	**>5y**	**total**
Credit institutions withdrawn credits	20,245	240,083	0	260,328	36,521	141,552	-	178,073
Total	**20,245**	**240,083**	**0**	**260,328**	**36,521**	**141,552**	**0**	**178,073**
Percentage	8%	92%	0%	100%	21%	79%	0%	100%

Bank borrowings by currency

Main part of external bank borrowings are Euro denominated except for Postępu, Foksal, Tillia and some VAT financing (PLN loans).

Interests on bank borrowings – interest rate risk

Interests on land acquisition and development loans are considered as floating since the variable component of the interest formula will always be fixed for a period not superseding one year.

On 31 December 2019, the Company had two outstanding investment loans:

- Dahlia SKA: 34,650 KEUR loan granted by Deutsche Hypothekenbank), bearing an Euribor 3M based (+1.25% margin) interest rate. The debt is serviced by the rental income of the property (Woloska 24).

- Vogla SKA: 2,265 KEUR loan granted by Bank BGZ BNP Paribas, bearing an Euribor 1M based (+ 2.75% margin) interest rate. The debt is fully serviced by the rental income of the property (Willanow Retail).

Depending on the project and the securities required by the bank, following margins on floating rates are applicable in Poland: between 1.25% and 4.60%.

Loans for the pre-financing of VAT in Poland are expressed in local currency

Interest sensitivity analysis

An increase/decrease of 100 basis points in the (average) interest rates on the floating rate bank debt at the reporting date, with all variables held constant, would have resulted in a 2,046 KEUR lower/higher profit before tax for 2019.

14.2 Other borrowings: Bonds (164,527 KEUR long-term – 61,445 KEUR short-term)

The Company has in the current period (on 26 February, 28 March, 29 March, 25 July, 5 August, 19 December and 30 December 2019, via Ghelamco Invest Sp. z o.o.) within its pending programmes issued public retail bonds (tranche, PK, PL, PPM, PPN, PM, PN, PO, PP) for a total amount of 424,756 KPLN. These bonds have a term between of 3 and 3.5 years and bear an interest of Wibor 6 months with a margin between 4.25% and 4.50%. The bonds series is secured by a guarantee granted by Granbero Holdings Ltd.

The proceeds of the above bond issues have been applied to redeem other/existing outstanding bonds, to service the (interests on) the resp. bond programs and for the financing of the Company's further investment projects within the Warsaw metropolitan area, in Wroclaw or Katowice.

The Company has in the current period redeemed outstanding bonds (partly through early redemption, partly on maturity date) for an amount of 256,856 KPLN.

The effect of the evolution in the PLN/EUR exchange rate on the net movement in outstanding bonds amounts to 1.8 MEUR (positive).

Total bonds balance outstanding per balance sheet date (225,972 KEUR) represents the amount of issue (981.8 MPLN) less capitalized issue costs, which are amortised over the term of the bonds.

Shortly after year-end, on 3 January and 10 January 2020, new bonds have been issued for an amount of resp. 30,000 KPLN (series PR) and 14,889 KPLN (series PQ). These bonds have a term of 3 years and bear an interest of resp. Wibor 6 months +4.50% (series PR) and +4.35% (series PQ).

Also, on 27 February 2020, the Polish financial supervision authority (KNF) approved Ghelamco Invest Sp. z o.o.'s new Base Prospectus in connection with its new Bonds Issue Programme (number VIII) for an amount of max. 350,000 KPLN. On 23 March 2020 and within this new programme, bonds have been subscribed by investors for an amount of 50,000 KPLN (series PPO). These bonds mature on 7 October 2023 and bear an interest of Wibor 6 months +4.30%. The issue is planned on 7 April 2020.

Summary of contractual maturities of bonds, including interest payments:

	31.12.2019				**31.12.2018**			
	<1 y	**between 2 and 5 y**	**>5y**	**total**	**<1 y**	**between 2 and 5 y**	**>5y**	**total**
bonds	75.911	178.979	0	254.890	51.703	156.846	0	208.549
Total	**75.911**	**178.979**	**0**	**254.890**	**51.703**	**156.846**	**0**	**208.549**
Percentage	30%	70%	0%	100%	25%	75%	0%	100%

Interest sensitivity analysis

An increase/decrease of 100 basis points in the (average) interest rates on the floating rate bonds debt at the reporting date, with all variables held constant, would have resulted in a 2,099 KEUR lower/higher profit before tax for 2019.

14.3 Other borrowings: Other (8,444 KEUR long-term – 14,522 KEUR short-term)

31/12/2019 22,966 KEUR

The other borrowings as at 31 December 2019 included the following related party balances:

- Peridot SL: 2,294 KEUR;
- Salamanca Capital Services: 1,259 KEUR;
- Ghelamco Poland Sp. z o.o.: 4,890 KEUR;

And also:

- 11,000 KEUR short-term loan from a third party investor, related to some specific Polish projects, maturing on 30/06/2020 and bearing an interest rate of 5.50%;
- 3,522 KEUR short-term loan from a third party investor, related to a specific Polish project.

31/12/2018 19,472 KEUR

The other borrowings in KEUR as at 31 December 2018 included the following related party balances:

- Peridot SL: 4,972 KEUR;
- Salamanca Capital Services: 1,279 KEUR;
- Ghelamco Poland Sp. z o.o.: 4,890 KEUR;

And also:

- 4,750 KEUR short-term loan from a third party investor, related to a specific Polish project, maturing on 30/06/2019 and bearing an interest rate of 5.50%;
- 3,488 KEUR short-term loan from a third party investor, related to a specific Polish project.

Interest sensitivity analysis

An increase/decrease of 100 basis points in the (average) interest rates on the interco debt at the reporting date, with all variables held constant, would have resulted in a 98 KEUR lower/higher profit before tax for 2019.

14.4 Lease liabilities

The lease liabilities balance increased significantly as a result of the first time adoption of IFRS 16 “Leases”. Per 31 December 2019 IFRS 16 related outstanding lease liabilities amount to resp. 21,787 KEUR long-term and 2,185 KEUR short-term. In this respect, further reference is made to section 1.3 above and note 26.2.

Summary of contractual maturities of lease liabilities:

	2019	**2018**
Within 1 year	2,177	1,609
After 1 year but not more than 5 years	6,781	7,089
More than 5 years	116,269	123,578
TOTAL	**125,227**	**132,276**

14.5 Miscellaneous information

No defaults of payments or breaches of borrowing agreements occurred as of 31 December 2019.

- Bank borrowings are secured by amongst others the property development projects of the Company, including land and in-process construction, pledge on SPV shares, etc. For corporate guarantees and/or suretyship agreements issued by Granbero Holdings Ltd on bank loans, reference is also made to note 25.1.

  The loan agreements granted by the banks are sometimes subject to a number of covenants (Loan to Value, Loan to Cost, Debt Service Cover). During the year and per end of the year, there were no events of default in respect of these borrowings.

- The bonds are secured by a redemption surety granted by Granbero Holdings Ltd. (the Company).

  In addition, the terms and conditions of the bond issues have been complied with as of balance sheet date. In this respect, reference is made to the related bi-annual covenant testing which is published on the Company’s website.

- First time adoption of IFRS 16 “Leases” resulted in an increase of financial liabilities by 24.0 MEUR, impacting the calculation of the solvency of the Company by the same amount.

The observed evolution in the above financial debt includes an immaterial amount of non-cash movements, related to capitalized transaction costs which are amortized over the duration of the debts.

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15. Financial instruments

The table below summarizes all financial instruments by category in accordance with IFRS 9 and discloses the fair values of each instrument and the fair value hierarchy:

Financial instruments (x € 1 000)	31.12.2019				
	FVTPL	**FVOCI**	**Measured at amortised cost/fin. liabilities at amortised cost**	**Fair value**	**Fair value level**
Other financial investments					
Other financial assets			302	302	2
Non-current receivables					
Receivables and prepayments			332,477	332,477	2
Restricted cash					2
Current receivables					
Trade and other receivables			156,363	156,363	2
Derivatives					2
Cash and cash equivalents			64,539	64,539	2
Total Financial Assets	**0**	**0**	**553,681**	**553,681**	
Interest-bearing borrowings - non-curr.					
Bank borrowings			231,601	231,601	2
Bonds			164,527	168,220	1
Other borrowings			8,444	8,444	2
Lease labilities			21,792	21,792	2
Interest-bearing borrowings - current					
Bank borrowings			13,016	13,016	2
Bonds			61,445	63,653	1
Other borrowings			14,522	14,522	2
Lease liabilities			2,185	2,185	2
Current payables					
Trade and other payables			43,289	43,289	2
Total Financial Liabilities	**0**	**0**	**560,821**	**566,722**	

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Financial instruments (x € 1 000)	31.12.2018				
	FVTPL	**FVOCI**	**Measured at amortised cost/fin. liabilities at amortised cost**	**Fair value**	**Fair value level**
Other financial investments					
Other financial assets			139	139	2
Non-current receivables					
Receivables and prepayments			316,658	316,658	2
Restricted cash					2
Current receivables					
Trade and other receivables			149,783	149,783	2
Derivatives					2
Cash and cash equivalents			32,313	32,313	2
Total Financial Assets	**0**	**0**	**498,893**	**498,893**	
Interest-bearing borrowings - non-curr.					
Bank borrowings			132,348	132,348	2
Bonds			146,042	147,031	1
Other borrowings			11,219	11,219	2
Interest-bearing borrowings - current					
Bank borrowings			32,146	32,146	2
Bonds			41,013	42,388	1
Other borrowings			8,253	8,253	2
Current payables					
Trade and other payables			39,032	39,032	2
Total Financial Liabilities	**-**	**-**	**410,053**	**412,417**	

The above tables provide an analysis of financial instruments grouped into Levels 1 to 3 based on the degree to which the fair value (recognized on the statement of financial position or disclosed in the notes) is observable:

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

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value of interest bearing liabilities does not materially differ from carrying amount, since all of them are floating interest bearing debts. The fair value of long term interest bearing debts (in absence of published price quotations in an active market) is calculated as the present value of cash flows discounted at the relevant current market interest rates adjusted for a company-specific margin. The fair value of short-term interest bearing debts and floating interest-bearing debts is assumed to be equivalent to their carrying amount.

We also refer to note 9.1 for the description of the fair value determination.

16. Deferred taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred taxes arise mainly from the temporary differences in respect of valuation of IP(UC), external borrowing costs capitalized and tax losses carried forward.

in thousands €	**31/12/2019**	**31/12/2018**
Deferred tax assets	2,360	2,671
Deferred tax liabilities	-39,657	-25,909
TOTAL	**-37,297**	**-23,238**

Deferred tax assets/(liabilities) arise from the following:

In thousands €	**Temporary differences**		**Unused tax losses and credits**	
	Investment property	**Other**	**Tax losses**	**Tax credits**
Balance at 1 January 2018	**-9,492**	**-3,714**	**2,982**	**-**
Recognised in income statement	-6,650	-8,802	2,342	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		96		
Balance at 31 December 2018	**-16,142**	**-12,420**	**5,324**	**-**
Recognised in income statement	-12,082	1,712	-3,574	
Recognised in other comprehensive income				
Recognised directly in equity				
Reclassified from equity to profit or loss				
Acquisitions				
Disposals				
Other		-115		
Balance at 31 December 2019	**-28,224**	**-10,823**	**1,750**	**-**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. Current year's decrease in recognised unused tax losses is based on business plan analyses, supporting the expected recovery of these losses in the foreseeable future. The decrease is to an extent related to the new and more stringent thin cap regulations which have become effective in Poland as from 1 January 2018 onwards.

It is to be noted that the investment proptery related amount as recognised in the income statement of 2019 consisted of:

- a deferred tax expense of 16,965 KEUR
- a gain of 4,883 KEUR which is related to the reversal of deferred tax liabilities in connection with the sale of the .BIG and the Wronia projects.

The following deferred tax assets have not been recognized at the reporting date:

	31/12/2019	**31/12/2018**
DTA on unused tax losses	7,714	7,242
DTA on unused tax credits		
TOTAL	7,714	7,242

Tax losses in the Polish SPVs can be carried forward for a period of 5 years. In this respect, no deferred tax assets have been recognized on tax losses carried forward in these SPVs to the extent it is deemed not probable that sufficient taxable profit will be available to allow the benefit of part of these tax losses.

Tax losses in the other countries can be carried forward for an indefinite period of time.

No deferred tax liability has been recognized on undistributed profits in the subsidiaries. It should be noted that the distribution of dividends by Polish subsidiaries to the (Cypriot) Parent would generate no tax charge.

17. Other non-current liabilities

Other non-current liabilities relate to a significant extent (2,088 KEUR) to deferred income connected with the residential sales on the Flisac project and downpayments (2,468 KEUR) related to the construction works for the HUB project.

18. Trade and other payables

Trade and other payables are analysed as follows:

	31/12/2019
Trade payables: third parties	6,523
Trade payables: related parties	31,110
Related parties current accounts payable	0
Misc. current liabilities	6,243
Deferred income	12,344
Current employee benefits	48
Total trade and other payables	**56,268**

	31/12/2018
Trade payables: third parties	1,872
Trade payables: related parties	34,076
Related parties current accounts payable	0
Misc. current liabilities	5,662
Deferred income	669
Current employee benefits	12
Total trade and other payables	**42,291**

Trade payables towards related parties include amongst others the amounts payable to the Service Holding for construction and engineering coordination services received. On 31/12/2019, the trade payables include 31,110 KEUR towards related parties (vs. 34,076 KEUR last year), as follows:

- Safe Invest Sp. z o.o.: 1,676 KEUR (zero KEUR last year);
- Ghelamco Poland Sp. z o.o: 28,890 KEUR (33,485 KEUR last year);
- Others: 544KEUR (591 KEUR last year).

The related parties trade payables balance is mainly related to the outstanding balance with Ghelamco Poland and is mainly connected with significant construction works on projects carried out during the last months of the year (which is, in turn, related to the construction stage of the projects). Main projects under construction per year-end are The Hub and the Warsaw Unit.

Miscellaneous current liabilities mainly relate to interest payable (3,526 KEUR in total, mainly to third parties), rental guarantee provisions (1,855 KEUR in total), VAT payable (279 KEUR), and some accruals and others.

The outstanding deferred income balance mainly relates to deferred income from sales in the Foksal residential project (12,045 KEUR) and some deferred rent income on commercial projects. The significant increase compared to last year mainly goes together with the progress of the Foksal project. Related deferred income was last year still presented as long-term deferred income (for an amount of 6,185 KEUR).

Trade payables are non-interest bearing and are settled in accordance with the contractual terms. The carrying amounts of trade and other payables approximate their fair value as those balances are short-term.

19. Current tax liabilities

Current tax payables can be allocated to the following countries (in KEUR):

- Cyprus: 1,429 KEUR (vs 1,007 KEUR in 2018)
- Luxembourg: 0 KEUR (vs 456 KEUR in 2018)
- Poland: 0 KEUR (vs 3 KEUR in 2018)

20. Revenue

Revenue is mainly generated from the following sources:

in thousands €	31.12.2019	31.12.2018
Sales of Residential Projects	950	3,145
Rental Income	8,178	8,957
TOTAL revenue	**9,128**	**12,102**

The residential projects revenue as of 31 December 2019 fully relates to the sale of the remaining residential (and some commercial) units in the Woronicza Qbik project, Warsaw for 887 KEUR (vs 1,973 KEUR in prior year)

Rental income as of 31 December 2019 relates to rent from commercial projects (mainly Woloska 24, Grzybowska and Willanow Retail). The decrease compared to prior year is mainly connected to the sale of the Wronia project end of April 2019.

Overview of future minimum rental income

The investment properties are leased to tenants under lease contracts with rentals payable on a monthly or quarterly basis. Where considered necessary to reduce credit risk, the Company may obtain bank guarantees for the term of the lease. The cash value of future minimum rental income until the first expiry date of the non-cancellable leases is subject to the following collection terms:

in thousands €	31.12.2019	31.12.2018
Future minimum rental income:		
Less than 1 year	9,793	9,276
Between 1 and 2 years	20,752	9,235
Between 2 and 3 years	28,358	8,354
Between 3 and 4 years	31,432	7,325
Between 4 and 5 years	30,859	2,486
More than five years	194,858	2,826
TOTAL FUTURE MINIMUM RENTAL INCOME	**316,052**	**39,502**

The future minimum rental income increased significantly compared to prior year. The increase is mainly attributable to the significant number of rent agreements signed in the current year for the HUB project and the Warsaw Unit project (both under construction but already leased for resp. approx. 80% and 30%).

21. Other items included in operating profit/loss

Other operating income and expenses in 2019 and 2018 include the following items:

	2019	2018
Other operating income		
Net gains on disposal of investment property	4,548	
Other	2,118	13,075
total:	**6,666**	**13,075**

The current year's other operating income mainly relates to the gains on disposal of the .BIG and the Wronia projects for resp. amounts of 2,236 KEUR and 2,210 KEUR. In addition a positive purchase price adjustment of 192 KEUR is included regarding the Przystank mBank project sale of 2017. Also included is some income on re-charges to related parties (1,194 KEUR).

Previous year's other operating income mainly related to some fit-out re-charges to tenants (7.9 MEUR, mainly on Big and Wronia), the release to the profit and loss statement of the previously booked provision for rental guarantees connected to the Warsaw Spire sale of 2017 (3.3 MEUR) and some re-charges to related parties (0.9 MEUR).

	2019	2018
Gains from revaluation of Investment Property	93.447	38.413

Fair value adjustments over 2019 amount to 93,447 KEUR. This is mainly the result of current year's further engineering, development, construction and leasing efforts, in combination with evolution in market conditions (in terms of yields and rent rate levels). Main fair value adjustments have been recognised on the HUB, the Warsaw Unit, Grzybowska/Bellona and the Nowe Centrum Lodzi project.

	2019	2018
Other operating expenses		
Housing costs	-	797
Taxes and charges	399	567
Insurance expenses	106	48
Audit, legal and tax expenses	1,736	1,090
Promotion	375	1,019
Sales expenses (agency fees and w/o agency fees)	1,351	1,258
Rental guarantee expenses	3,100	477
Maintenance and repair expenses (projects)	1,491	823
Operating expenses with related parties	2,257	12,038
PPA mBank sale	-	1,493
Miscellaneous	-	977
Total:	**10,815**	**20,587**

- The other operating expenses decreased significantly by 9,772 KEUR to 10,815 KEUR, which is mainly related to the decrease in the Operating expenses with related parties. Last year's relatively high operating expenses with related parties mainly concerned fit-out expenses charged by Ghelamco Poland, which were in turn re-charged to tenants (through other income).
- Current years sales/agency expenses mainly relate to the sale of the .BIG and Wronia projects in the course of 2019.
- Also the increase in rental guarantee expenses is mainly connected to the sale of the .BIG and Wronia projects.
- Last year, als the impact of a purchase price adjustment on the sale of mBank realised end of 2017 was included.

22. Cost of Property Development Inventories

The various items comprising the costs of Property Development Inventories are as follows:

	2019	2018
Movement in inventory	21,394	5,652
Purchases (*)	-20,832	-6,166
	562	**-514**

(*) See Note 27.2
Purchases (mainly from related parties) related to Investment Property projects are not included in the above purchases, as those have directly been recorded on IP. It concerns an amount of 126,994 KEUR (vs 94,513 KEUR in 2018).

23. Finance income and finance costs

The various items comprising the financial income and financial costs are as follows:

	2019	2018
Foreign exchange gains	708	
Interest income	12,982	16,588
Other finance income		
Total finance income	**13,690**	**16,588**
Interest expense	-5,341	-12,773
Other interest and finance costs	-4,192	-1,594
Foreign exchange losses	-4,023	-4,622
Total finance costs	**-13,556**	**-18,989**

The interest income mainly includes interests on loans receivable from related parties.

It is to be noted that interest expenses related to (not yet delivered) Investment Property projects are not included in the above 2019 and 2018 figures, as those have directly been capitalized on IP. It concerns an amount of 16,622 KEUR (vs. 12,376 KEUR last year).

The interest expenses mainly relate to interests on bank loans, bonds and to a lesser extent on related party financial payables. The significant decrease in interest expenses mainly goes together with the transfer end of last year, of a significant amount of related party loans (and related accrued interests, for a total combined amount of 280 MEUR) towards Polish SPVs from Peridot SL (financing entity not belonging the Granbero group) to Milovat Ltd, Cypriot cash pool and financing entity of the Granbero group.

It is to be mentioned that main part of the exchange differences is unrealized (and connected with the conversion at spot rate of outstanding (EUR) bank loans). It concerns a snapshot per year-end, impact of which mainly depends on the evolution of the EUR/PLN exchange rate.

The other finance costs include the amortization of (capitalized) bond issue and bank(re-)financing expenses. In addition, the financial impact of the present value calculation of the finance lease liabilities in accordance with IFRS 16 is included (for an amount of 1,685 KEUR). In this respect, further reference is made to note 26.2.

All financial income and expenses mentioned in the table above are related to financial instruments measured at amortized cost.

24. Income taxes

Income tax expense recognized in the consolidated income statement:

	31.12.2019	31.12.2018
current income tax	2,466	842
deferred tax	13,944	13,110
Total	**16,410**	**13,952**

The tax charge on the Company's result before taxes differs from the theoretical amount that would have resulted from applying the average applicable tax rates to the profits of the consolidated companies.

The income tax expense for the period can be reconciled to the accounting profit as follows:

in thousands €	31.12.2019	31.12.2018
Result before income taxes	98,151	39,747
Income tax expense calculated at 19%	18,649	7,552
Effect of different tax rates in other jurisdictions	-1,203	-1,079
Effect of non-deductible expenses	6,022	4,084
Effect of revenue that is exempt from taxation	-805	-1,077
Effect of use/recognition of previously unrecognized tax losses	-2,412	-4
Effect of current year losses for which no DTA is recognized	2,376	6,065
Effect of tax incentives not recognized in the income statement	-2,589	-1,952
Effect of under/over-accrued in previous years	81	202
Effect of change in local tax rates	-	-
Effect of other tax increases	120	-
Reversal cumul DTL in connection with Wronia (share) sale	-3,709	-
Other	-119	161
INCOME TAX EXPENSE RECOGNISED IN INCOME STATEMENT	**16,410**	**13,952**

The theoretical tax rate used for the above reconciliation is the (Polish) statutory corporate tax rate of 19% payable by corporate entities in Poland on taxable profits under tax law.

Last year's significant effect of not recognized deferred tax assets is connected with new and more stringent thin cap regulations which have become effective in Poland as from 1 January 2018 onwards. The same goes for 2019.

25. Contingent liabilities and contingent assets

25.1 (Bank) guarantees

All external borrowings of the subsidiaries are secured by corporate guarantees and/or suretyship agreements issued by Granbero Holdings Ltd. These guarantees cover cash deficiency risk, cost overrun, completion risk and interest & repayment shortfall risk. No calls on the guarantees were made in 2019 and 2018.

Company	Project name	Amount of bank loan-books (KEUR)		Corporate guarantees as per 31/12/2019 (KEUR)	
POLAND					**Guarantee by Granbero Holdings Ltd.**
Apollo Invest Sp. z o.o.	The Warsaw Unit	EUR	32,075		Suretyship agreement (mainly including cost overrun, own contribution input, claim amounts)
The HUB SKA	HUB	EUR	145,225	65,000	Corporate guarantee
SBP SKA	Wroclaw Business Park	EUR	1,950	1,950	Corporate guarantee, cash deficiency
Foksal SKA (*)	Foksal 13/15	EUR	6,042	6,042	Suretyship agreement
Isola SKA	Bellona Tower	EUR	5,552	5,552	Suretyship agreement
Vogla SKA	Plac Vogla	EUR	2,265	2,265	Corporate Guarantee
Dahlia SKA	Woloska 24	EUR	34,650		Suretyship and cash deficiency
Postepu SKA (*)	Postepu	EUR	2,192	2,192	Suretyship agreement
Azira SKA	Nowe Centrum Lodzi	EUR	8,100	8,100	Suretyship agreement
Tillia Bis Sp. z o.o. (*)	Flisac	EUR	456	456	Suretyship agreement

(*): Bank loan itself is denominated in PLN

No corporate guarantees were given by the Company to ensure repayment of the bank loans of the related parties (under the common control of the ultimate shareholders) at 31 December 2019 (but not subsidiary of the Company).

The Company does not apply cross liability, meaning that Granbero Holdings Ltd does not guarantee loans of affiliates belonging to other Ghelamco holdings.

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25.2 Representations and warranties provided with respect to the real estate projects sold

As a seller of shares of its subsidiaries, the Company acts as a guarantor with respect to the representations and warranties contained in the real estate sales contracts concluded in the past. This mainly concerns representations regarding the title on shares, property, permit matters, technical matters, financial matters, tax matters and contractual matters. The Company's liability for the breach of these representations and warranties generally covers a period of 2 to 3 years from the date of sale (except representations regarding the tax matters covering the period of five to seven years in accordance with local regulations).

Management's past experience shows that the Company receives very limited amounts of warranty claims on its properties. Based on its assessment of the risk, the Company has not deemed it necessary to recognize any provision for representations and warranty obligations.

25.3 Guarantees received from the contractors

The statutory warranty obligations of construction service providers cover the risk of structural and other defects of the properties. Construction service providers (including related parties of the Company) in Poland have a legal obligation to remediate any structural defects that become apparent within the first five years after completion of the construction for structural elements. Shorter guarantee periods apply for other elements, depending on the nature of such elements (each sub-contractor bears similar "back-to-back" obligations).

25.4 Securities on assets

Special Purpose Vehicles (SPV's) entering into external financing are offering following collateral:

- first ranking ceiling mortgage on the property belonging to the SPV (land + buildings)
- registered pledge on the borrower's shares;
- assignment of most receivables (inter alia leases, rents, sales, performance bonds, insurance income, …);
- cash deficiency/cost overrun (letter of comfort) by the shareholder (if applicable);
- submission to execution.

No cross guarantees on assets have been granted by the different SPV's, nor other types of suretyships, cost overruns or debt service commitments.

26. Commitments

26.1 (Capital) Commitments

(Capital and other) expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2019	**2018**
Architectural and Engineering contracts	15,794	13,846
Construction contracts	125,765	208,592
Purchase of land plots	0	0
Purchase of shares (connected with landbank)	0	0
Total	**141,559**	**222,438**

Acquisition of contracts

At 31 December 2019, the Company has entered into a number of contracts with third parties for the acquisition of the following assets (land plots) or shares:

Binding contracts
None significant per end 2019

Non-binding contracts
Different other option contracts or rights to acquire property without the obligation for the Company to take up the property.

Services and (sub)contractor agreements

As a developer of commercial and residential properties, the Company is committed to continue the realisation of properties under the contracts with construction companies, often in cooperation with related parties of the Company.

As to the above architectural and engineering contracts and construction contracts, expenditures are spread over the coming 2 to 3 years, depending on management decision to move forward with the involved projects.

The Company in addition declares sufficient flexibility on the commitments, as significant part of those commitments are contracted with related party entities belonging to the Development Holding.

For the on-going construction contracts, the respective SPV's concluded binding construction financing contracts with different banks.

Main construction contracts in the above overview relate to the following projects:
- The Warsaw HUB (approx. 117,000 sqm mixed project): 34,150 KEUR
- Warsaw UNIT (approx. 59,000 sqm office space): 81,246 KEUR
- Flisac (mixed residential and retail project): 10,782 KEUR

26.2 (Land) lease commitments (re. Rights of perpetual usufruct)

Amounts recognised in the balance sheet and statement of profit or loss:

In KEUR	Right of Use Assets Investment Poperty	Right of Use Assets Property Dev. Inventories	Total
Initial recognition 1/01/2019	**20,137**	**3,161**	**23,298**
Addition (new)	68	3	72
Revaluation	472	129	602
31/12/2019	**20,677**	**3,293**	**23,972**

	Non-current lease liability	Current lease liability	Total
Initial recognition 1/01/2019	**21,742**	**1,556**	**23,298**
Addition (new)	64	8	72
Payments	0	-1,083	-1,083
Interest charges on lease liabilities	1,685	0	1,685
Classification non-curr. to curr. lease liab.	-1,704	1,704	0
31/12/2019	**21,787**	**2,185**	**23,972**

The Company has entered into non-cancellable leases for the land rights with basic lease terms of usually 99 years (rights of perpetual usufruct). All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The average lease-term per end 2019 is approx. 80 years.

In the past, these lease contracts were classified as operating leases based on the criteria defined by IAS 17 “Leases”. As a result of the adoption of IFRS 16 “Leases” from 1 January 2019, all qualifying lease contracts have been recognised through a right-of-use asset and a corresponding lease liability.

The right-of-use assets are presented as Investment property, at fair value. The lease liabilities are initially recognized at their discounted value and are (at each reporting date) updated, considering the incremental interest rate on the one hand and the actual lease payments on the other hand.

The incremental borrowing rate is determined as the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- to the extent possible, uses recent third-party financing received by the Company as a starting point, adjusted to reflect changes in financing conditions since the third party financing was received, and
- makes adjustments specific to the lease, e.g. considering term, country, currency and applicable securities.

The applied incremental borrowing rate amounts to 7.7%.

The Company is exposed to potential future evolutions in lease payments, like indexations or rate increases, which are not included in the lease liability until they take effect. When adjustments to lease payments do take effect, the lease liability is reassessed and adjusted accordingly. As to lease payments, an allocation is done between principal amount and finance cost. The finance cost is charged to profit or loss over the lease period. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Right-of-use assets are measured at fair value comprising the present value amount of the initial measurement of the lease liability.

To the extent applicable, payments associated with short-term leases of equipment and vehicles and leases of low-value assets are (still) recognised on a straight-line basis as an expense in profit or loss, in accordance with the provisions of IAS 17 “Leases”. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Further reference is also made section 1.4. above and notes 6,7,14 and 23.

26.3 Rental guarantees

In connection with the sale of the Marynarska 12/T-Mobile Office Park, rental guarantee and master lease agreements have been closed for resp. the (at the time of the sale) not leased office and parking space. Rental guarantee agreements have a period of 60 months, master lease agreements have a 84 months period. With respect to the remaining master lease gurarantee period, a provision of 636 KEUR has been recognized in the consolidated financial statements at 31/12/19.

In connection with the sale of two office projects in current period (.BIG and Wronia), rental guarantee agreements have been closed for resp. the (at the time of the sale) not leased office and parking spaces. Rental guarantee agreements have a period of 5 years. In this respect, a rental guarantee provision of 1,219 KEUR in total has been recognized in the consolidated financial statements at 31/12/2019.

In prior year a total rental guarantee provision of 1,000 KEUR was recognised in connection with the sale of two office projects in 2014 (Marynarska 12/T-Mobile Office Park and Lopuszanska Business Park) and the sale of the mBank project in Krakow in 2017.

27. Related party transactions

The Company is together with the other Ghelamco Group (sub-)holdings, the Service Holding, the Portfolio Holding and the Property Fund – all related parties – under common control of the ultimate shareholders, Mr. & Mrs. Gheysens. (together “the Consortium”)

Balances and transactions between the Company and its subsidiaries have been eliminated in consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties (belonging to the Investment & Development Holding, the Service Holding, the Portfolio Holding and the Property Fund Holding) are described below.

27.1. Relationships with the directors and management

For the year ending 31 December 2019, the Consortium (of which the Company is part) paid a total amount of approx. 12,000 KEUR (vs. 12,000 KEUR last year) to the members of the board and management committee. This amount includes management service fees charged by the Management Committee members to the legal entities included in the scope of these consolidated financial statements.

This amount comprises the full compensation. No other short- or long-term benefits, stock option plans or other post-employment benefits have been granted to the members of the board and the management committee.

27.2. Trading transactions: Purchase of construction, engineering and other related services from related parties

Construction and Development Services

The Company has entered into property development and construction contracts with property development and construction companies ("Contractors") – the indirect subsidiaries of the Service Holding (International Real Estate Services Comm. VA (parent company of Ghelamco's "Service Holding")):

- Ghelamco Poland with its registered office in Warsaw;

This entity provides services to the real estate companies of the Company, in accordance with the terms of the property development contracts, including but not limited to:

- obtaining pre-approvals and design documents necessary to the development of the project;
- performing construction works in accordance with the required permits, approvals, regulations, plans and specifications;
- ordering materials and equipment necessary for completion of the construction works;
- entering into contracts with utility providers, other entities and authorities, enabling exploitation of the constructed buildings;
- obtaining required occupancy permits;
- ensuring compliance with local regulations, namely regarding safety, fire protection, labour and health conditions, construction law;
- maintaining insurance in relation to the construction works throughout the entire construction period.

In accordance with the conditions of the property development contracts, the Contractor has the right to use building sites during the entire period of construction. The Contractor transfers this right to use the site, together with the developed buildings, to the Company after the occupancy permit has been granted by the local authorities or after signature of the building's delivery protocol between the Company's real estate company and the Contractor. The Contractor retains an obligation to remedy all defects noted in the minutes of hand-over from the Company to the company and its tenants (when tenants take possession of their premises).

Construction service providers (including Contractors) in Poland have a legal obligation to bear repair costs of any construction defects that become apparent within a warranty period after the construction is completed. The Contractors have an obligation to remedy all structural construction defects that become apparent during the statutory warranty period of 5 years in Poland.

The price for the construction and other related services is the fixed price agreed at the inception of the contract. The payments are executed based on the invoices issued on a bi-weekly to monthly basis. With regards to completed and handed-over works, the parties sign a works protocol every fortnight to month after approval by an independent project monitor appointed by the external financial party. The prices for the services reflect normal commercial terms and conditions, with average margins between 10% to 20%.

Engineering and architectural design services

APEC Architectural Engineering Projects Limited (a limited liability company registered under the laws of Ireland) and Safe Invest Sp. z o.o (a limited liability company registered under the laws of Poland), both direct and indirect legal subsidiaries of International Real Estate Services Comm. VA, the parent company of Ghelamco's "Service Holding") coordinate engineering and architectural design services provided to the Company in accordance with terms of the respective contracts. Purchases of services from Apec Ltd and Safe Invest Sp. z o.o exceed 80% of all engineering, architectural design and other related services acquired by the Company. These services include:

- detailed functional, technical, structural and surface-related programmes and finishing work;
- assistance in selection of engineers in charge of assignments;
- detailed preliminary architectural project and establishment of the building project in accordance with the local statutory requirements;
- establishment of all documents, permit application and verification and obtaining all approvals required to submit a building permit application and submission of a building application;
- detailed architectural implementation plan, coordination of the technical studies, definition of specifications and details;

- supervision of the work during the entire construction period;
- assistance during the preliminary acceptance and with obtaining the operating permit;
- commercial costs;
- legal and financial advisory.

The price of these services is determined during the feasibility phase of the property development project as a function of the investment value of the project (excluding cost to acquire land) and is usually fixed at 11.5% of the construction value of the project. This fee is paid by a real estate development entity upon achievement by Apec Ltd or Safe Invest Sp. z o.o of the milestones agreed in the contract (approval of the preliminary design, submission of the building permit file, implementation file, achievement of commercial goals, etc.). The prices for the services reflect normal commercial terms and conditions as locally in place.

Since end 2018, no new architectural and engineering design contracts with Apec Ltd are closed anymore. Going forward, coordination services are provided by Safe Invest Sp. z o.o. only.

27.3. Acquisitions and disposals of shares and other related party transactions

2019
In the course of 2019, Ghelamco GP 9 Sp. z o.o. Sobieski Towers Sp.k. and Ghelamco GP 9 Sp. z o.o. Altona S.K.A. have been merged into a new entity Sobieski Towers Sp. z o.o. As a result of the merger, the involved SPV's have been liquidated and there rights and obligations of these entities have been transferred into the merged entity.

In addition, Laboka Ltd (subsidiary of the Company) has sold 30% of its shares in Azalia and Estima to Deus Comm. VA, which is the holding company of the Portfolio Holding. Also, Granbero Ltd. has sold 30% of its shares in Pianissima Sp. z o.o., shelf company, to Deus Comm. VA.

For the remainder, no other significant transactions with related parties took place in 2019.

2018
During 2018 there were no share transactions with related parties.

End December 2018, a significant amount of related party loans receivable (and related accrued interests, for a total combined amount of 280 MEUR) which Peridot SL (Spain) held towards Polish SPVs, were transferred to Milovat Ltd, Cypriot cash pool and financing entity of the Granbero group. And subsequently the resulting Peridot receivable towards Milovat was compensated with the existsing Peridot loans payable balance towards Milovat. These transactions were executed in connection with a reorganisation process which was in first instance meant to increase interco financing efficiency and to further simplify the group structure.

For the remainder, no other significant transactions with related parties took place in 2018.

Other
The excess cash balances generated by the Company's real estate development activities can, besides being reinvested in the entities belonging to the Investment Holding, to an extent and within the requirements of the terms and conditions of the recent bond issues, also invested in entities belonging to the Ghelamco Development Holding and Portfolio Holding in form of short and long-term loans. These loans are granted at the arm's length conditions.

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Above described related party transactions and balances can be detailed as follows:

	31/12/2019	31/12/2018
Purchases of construction, engineering and architectural design:	-137,764	-93,981
related party trade receivable	29	1,490
related party trade accounts payable	-31,110	-34,076
related party non-current loans receivable	327,403	308,248
related party interests receivable	35,730	28,278
related party C/A receivable	110,125	112,350
related party non-current loans payable	-8,444	-11,136
related party interests payable	-281	-8
related party C/A payable	-	-

28. Events after balance sheet date

Shortly after year-end, on 3 January and 10 January 2020, new bonds have been issued for an amount of resp. 30,000 KPLN (series PR) and 14,889 KPLN (series PQ). These bonds have a term of 3 years and bear an interest of resp. Wibor 6 months +4.50% (series PR) and +4.35% (series PQ).

Also, on 27 February 2020, the Polish financial supervision authority (KNF) approved Ghelamco Invest Sp. z o.o.'s new Base Prospectus in connection with its new Bonds Issue Programme (number VIII) for an amount of max. 350,000 KPLN. On 23 March 2020 and within this new programme, bonds have been subscribed by investors for an amount of 50,000 KPLN (series PPO). These bonds mature on 7 October 2023 and bear an interest of Wibor 6 months +4.30%. The issue is planned on 7 April 2020.

On 30 March 2020, Ghelamco Invest Sp. z o.o. has redeemed bonds (on maturity date) for a total amount of 68,744 KPLN (series PPE, PPF and PPG).

In respect of the COVID-19 pandemic the management has taken all necessary concrete and preventive measures to protect the Companies' staff and co-operators. In the meantime the management ensured the continuity of its business activities through different actions and initiatives.
Nevertheless the management is conscious that the pandemic will affect certain on-going and scheduled real estate and financial transactions. The risks concerned are mitigated as much as possible in open discussions with the involved counterparties. The management will closely monitor and follow up all evolutions concerned and will act diligently to reduce any negative effect on the Company, its staff and its business.

29. Auditor's Report

KPMG

Independent Auditors' Report on the consolidated financial statements of Granbero Holdings Ltd. as of and for the year ended 31 December 2019

Opinion

We have audited the consolidated financial statements of Granbero Holdings Ltd. ("the Company") and its subsidiaries (jointly "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes, comprising significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to 1.430.270 (000) EUR and the consolidated statement of profit or loss shows a profit for the year of 81.740 (000) EUR.

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 of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises section 'I. General information and performance'.

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

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

KPMG

Independent auditor's report of Granbero Holdings Ltd. on the consolidated financial statements as of and for the year ended 31 December 2019

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's responsibilities for the audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of 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 auditors' 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 auditors' 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;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the management 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.

Zaventem, 31 March 2020

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Independent auditor
represented by

Filip De Bock
Réviseur d'Entreprises / Bedrijfsrevisor