

Ronson Development SE

Company Financial Statements
for the year ended
31 December 2019

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Company Statement of Comprehensive Income

For the year ended 31 December		2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Revenues from consulting services	5	6,456	9,281
General and administrative expenses	6	(4,444)	(3,291)
Other expenses		(151)	(408)
Operating profit/(loss)		1,861	5,582
Result from subsidiaries after taxation	10	18,944	11,382
Operating profit after result from subsidiaries		20,805	16,964
Finance income		7,352	8,457
Finance expense		(11,278)	(11,908)
Net finance income/(expense)	8	(3,926)	(3,451)
Profit before taxation		16,879	13,513
Income tax benefit/(expense)	9	535	(15)
Profit for the year		17,414	13,498
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		17,414	13,498
Weighted average number of ordinary shares (basic and diluted)		163,689,616	164,010,813
<i>In Polish Zlotys (PLN)</i>			
Net earnings/(loss) per share attributable to the equity holders of the parent (basic and diluted)		0.106	0.082

The notes included on pages 5 to 27 are an integral part of these company financial statements

Company Financial Statements for the year ended 31 December 2019

Company Statement of Financial Position

As at 31 December		2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>			
	<i>Note</i>		
Assets			
Investment in subsidiaries	10	419,835	407,309
Loans granted to subsidiaries	11	89,606	123,985
Deferred tax assets	9	1,015	480
Total non-current assets		510,456	531,774
Trade and other receivables and prepayments		107	187
Receivables from subsidiaries		1,244	640
Loans granted to subsidiaries	11	24,223	31,851
Cash and cash equivalents		7,173	2,147
Total current assets		32,747	34,825
Total assets		543,203	566,599
Equity			
Shareholders' equity			
Share capital		12,503	12,503
Share premium reserve		150,278	150,278
Treasury shares		(580)	-
Retained earnings		188,293	180,699
Total shareholders' equity	12	350,494	343,480
Liabilities			
Non-current liabilities			
Bond loans	13	151,078	153,683
Total non-current liabilities		151,078	153,683
Current liabilities			
Bond loans	13	36,891	51,864
Loans from subsidiaries		3,309	3,309
Trade and other payables and accrued expenses	14	1,431	14,263
Total current liabilities		41,631	69,436
Total liabilities		192,709	223,119
Total shareholders' equity and liabilities		543,203	566,599

The notes included on pages 5 to 27 are an integral part of these company financial statements

Company Financial Statements for the year ended 31 December 2019

Company Statement of Changes in Equity

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

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

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at 1 January 2018	12,503	150,278	175,108	337,889
Net profit for the year ended 31 December 2018	-	-	13,498	13,498
Acquisition of non-controlling interest ⁽¹⁾	-	-	1,934	1,934
Dividend paid (see Note 12)	-	-	(9,841)	(9,841)
Balance at 31 December 2018	12,503	150,278	180,699	343,480

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

The notes included on pages 5 to 27 are an integral part of these company financial statements

Company Financial Statements for the year ended 31 December 2019

Company Statement of Cash Flows

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	
Cash flows from operating activities		
Profit for the year	17,414	13,498
<i>Adjustments to reconcile profit for the year to net cash (used in)/from operating activities:</i>		
Finance income	8 (7,352)	(8,457)
Finance expense	8 11,278	11,908
Income tax expense/(benefit)	9 (535)	15
Net results subsidiaries during the year	10 (18,944)	(11,382)
Subtotal	1,861	5 582
Decrease/(increase) in trade and other receivables and prepayments	80	(8)
Decrease/(increase) in receivable from subsidiaries	(604)	205
Increase/(decrease) in trade and other payable and accrued expenses	14 (12,832)	13,111
Subtotal	(11,495)	18,890
Interest paid	(10,408)	(10,857)
Interest received	8,013	3,479
Net cash used in operating activities	(13,890)	11,512
Cash flows from investing activities		
Loans granted to subsidiaries, net of issue cost	11 (46,916)	(82,000)
Repayment of loans granted to subsidiaries	11 88,254	14,700
Dividend from subsidiaries	10 6,418	62,500
Investment in subsidiaries	10 -	(2,071)
Net cash used in investing activities	47,756	(6,871)
Cash flows from financing activities		
Repurchase of own shares	12 (580)	-
Dividend paid	12 (9,820)	(9,841)
Repayment of loans from subsidiaries	-	(91)
Proceeds from bond loans, net of issue costs	13 31,560	49,346
Repayment of bond loans	13 (50,000)	(42,160)
Net cash from financing activities	(28,840)	(2,746)
Net change in cash and cash equivalents	5,026	1,895
Cash and cash equivalents at 1 January	2,147	252
Cash and cash equivalents at 31 December	7,173	2,147

The notes included on pages 5 to 27 are an integral part of these company financial statements

Notes to the Company Financial Statements

1. General

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

The Company (together with its subsidiaries, 'the Group') is active in the development and sale of residential units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland. The Company prepared Consolidated Financial Statements for the year ended 31 December 2019, which was authorized for issue on 10 March 2020.

The details of the entities, the year of incorporation and the percentage of ownership and voting rights directly or indirectly held by the Company as at 31 December 2019, are presented below and on the following page.

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		31 December 2019	31 December 2018
a. held directly by the Company:			
1 Ronson Development Management Sp. z o.o.	1999	100%	100%
2 Ronson Development 2000 Sp. z o.o.	2000	100%	100%
3 Ronson Development Warsaw Sp. z o.o.	2000	100%	100%
4 Ronson Development Investment Sp. z o.o.	2002	100%	100%
5 Ronson Development Metropol Sp. z o.o.	2002	100%	100%
6 Ronson Development Properties Sp. z o.o.	2002	100%	100%
7 Apartments Projekt Sp. z o.o.	2003	100%	100%
8 Ronson Development Enterprise Sp. z o.o.	2004	100%	100%
9 Ronson Development Company Sp. z o.o.	2005	100%	100%
10 Ronson Development Creations Sp. z o.o.	2005	100%	100%
11 Ronson Development Buildings Sp. z o.o.	2005	100%	100%
12 Ronson Development Structure Sp. z o.o.	2005	100%	100%
13 Ronson Development Poznań Sp. z o.o.	2005	100%	100%
14 E.E.E. Development Sp. z o.o.	2005	100%	100%
15 Ronson Development Innovation Sp. z o.o.	2006	100%	100%
16 Ronson Development Wrocław Sp. z o.o.	2006	100%	100%
17 Ronson Development Capital Sp. z o.o.	2006	100%	100%
18 Ronson Development Sp. z o.o.	2006	100%	100%
19 Ronson Development Construction Sp. z o.o.	2006	100%	100%
20 City 2015 Sp. z o.o.	2006	100%	100%
21 Ronson Development Village Sp. z o.o. ⁽¹⁾	2007	100%	100%
22 Ronson Development Conception Sp. z o.o.	2007	100%	100%
23 Ronson Development Architecture Sp. z o.o.	2007	100%	100%
24 Ronson Development Skyline Sp. z o.o.	2007	100%	100%
25 Continental Development Sp. z o.o.	2007	100%	100%
26 Ronson Development Universal Sp. z o.o. ⁽¹⁾	2007	100%	100%
27 Ronson Development Retreat Sp. z o.o.	2007	100%	100%
28 Ronson Development South Sp. z o.o.	2007	100%	100%
29 Ronson Development Partner 5 Sp. z o.o.	2007	100%	100%
30 Ronson Development Partner 4 Sp. z o.o.	2007	100%	100%
31 Ronson Development North Sp. z o.o.	2007	100%	100%
32 Ronson Development Providence Sp. z o.o.	2007	100%	100%
33 Ronson Development Finco Sp. z o.o.	2009	100%	100%
34 Ronson Development Partner 2 Sp. z o.o.	2010	100%	100%
35 Ronson Development Skyline 2010 Sp. z o.o. w likwidacji	2010	100%	100%
36 Ronson Development Partner 3 Sp. z o.o.	2012	100%	100%
37 Nova Królikarnia B.V. (Company with the registered office in the Netherlands)	2016	100%	100%

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

Company Financial Statements for the year ended 31 December 2019

Notes to the Company Financial Statements

1. General (cont'd)

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		31 December 2019	31 December 2018
b. held indirectly by the Company:			
38 AGRT Sp. z o.o.	2007	100%	100%
39 Ronson Development Partner 4 Sp. z o.o. – Panoramika Sp.k.	2007	100%	100%
40 Ronson Development Sp z o.o. - Estate Sp.k.	2007	100%	100%
41 Ronson Development Sp. z o.o. - Home Sp.k.	2007	100%	100%
42 Ronson Development Sp z o.o. - Horizon Sp.k.	2007	100%	100%
43 Ronson Development Partner 3 Sp. z o.o. - Sakura Sp.k.	2007	100%	100%
44 Destiny Sp. z o.o.	2007	100%	100%
45 Ronson Development Millenium Sp. z o.o.	2007	100%	100%
46 Ronson Development Sp. z o.o. - EEE 2011 Sp.k.	2009	100%	100%
47 Ronson Development Sp. z o.o. - Apartments 2011 Sp.k.	2009	100%	100%
48 Ronson Development Sp. z o.o. - Idea Sp.k.	2009	100%	100%
49 Ronson Development Partner 2 Sp. z o.o. – Destiny 2011 Sp.k.	2009	100%	100%
50 Ronson Development Partner 2 Sp. z o.o. - Enterprise 2011 Sp.k.	2009	100%	100%
51 Ronson Development Partner 2 Sp. z o.o. - Retreat 2011 Sp.k.	2009	100%	100%
52 Ronson Development Partner 5 Sp. z o.o - Vitalia Sp.k.	2009	100%	100%
53 Ronson Development Sp. z o.o. - 2011 Sp.k.	2009	100%	100%
54 Ronson Development Sp. z o.o. - Gemini 2 Sp.k.	2009	100%	100%
55 Ronson Development Sp. z o.o. - Verdis Sp.k.	2009	100%	100%
56 Ronson Espresso Sp. z o.o.	2006	100%	100%
57 Ronson Development Apartments 2010 Sp. z o.o.	2010	100%	100%
58 RD 2010 Sp. z o.o.	2010	100%	100%
59 Retreat Sp. z o.o.	2010	100%	100%
60 Enterprise 2010 Sp. z o.o.	2010	100%	100%
61 Wrocław 2010 Sp. z o.o.	2010	100%	100%
62 E.E.E. Development 2010 Sp. z o.o.	2010	100%	100%
63 Ronson Development Nautica 2010 Sp. z o.o.	2010	100%	100%
64 Gemini 2010 Sp. z o.o.	2010	100%	100%
65 Ronson Development Sp. z o.o. - Naturalis Sp.k.	2011	100%	100%
66 Ronson Development Sp. z o.o. - Impressio Sp.k.	2011	100%	100%
67 Ronson Development Sp. z o.o. - Continental 2011 Sp.k.	2011	100%	100%
68 Ronson Development Sp. z o.o. - Providence 2011 Sp.k.	2011	100%	100%
69 Ronson Development Partner 2 Sp. z o.o. - Capital 2011 Sp. k.	2011	100%	100%
70 Ronson Development Partner 5 Sp. z o.o. - Miasto Marina Sp.k.	2011	100%	100%
71 Ronson Development Partner 5 Sp. z o.o. - City 1 Sp.k.	2012	100%	100%
72 Ronson Development Partner 2 Sp. z o.o. - Miasto Moje Sp. k.	2012	100%	100%
73 Ronson Development Sp. z o.o. - City 3 Sp.k.	2012	100%	100%
74 Ronson Development Sp. z o.o. - City 4 Sp.k.	2016	100%	100%
75 Ronson Development Partner 2 Sp. z o.o. – Grunwald Sp.k.	2016	100%	100%
76 Ronson Development Sp. z o.o. - Projekt 2 Sp.k.	2017	100%	100%
77 Ronson Development Sp. z o.o. - Projekt 3 Sp.k.	2017	100%	100%
78 Ronson Development Sp. z o.o. - Projekt 4 Sp.k.	2017	100%	100%
79 Ronson Development Sp. z o.o. - Projekt 5 Sp.k.	2017	100%	100%
80 Ronson Development Sp. z o.o. - Projekt 6 Sp.k.	2017	100%	100%
81 Ronson Development Sp. z o.o. - Projekt 7 Sp.k.	2017	100%	100%
82 Ronson Development Sp. z o.o. - Projekt 8 Sp.k.	2017	100%	100%
83 Ursus 2017 Sp. z o.o.	2017	100%	100%
84 Projekt City Sp. z o.o.	2017	100%	100%
85 Bolzanus Limited (<i>Company with the registered office in Cyprus</i>)	2013	100%	100%
86 Park Development Properties Sp. z o.o. - Town Sp.k.	2007	100%	100%
87 Tras Sp. z o.o.	2015	100%	100%
88 Pod Skocznią Projekt Sp. z o.o.	2015	100%	100%
89 District 20 Sp. z o.o.	2015	100%	100%
90 Arkadia Development Sp. z o.o.	2015	100%	100%
91 Królikarnia 2015 Sp. z o.o.	2015	100%	100%
92 Tras 2016 Sp. z o.o.	2016	100%	100%
93 Pod Skocznią Projekt 2016 Sp. z o.o.	2016	100%	100%
94 District 20 – 2016 Sp. z o.o.	2016	100%	100%
95 Arkadia Development 2016 Sp. z o.o.	2016	100%	100%
96 Królikarnia 2016 Sp. z o.o.	2016	100%	100%
97 Kroli Development Sp. z o.o.	2016	100%	100%
98 Park Development Properties Sp. z o.o.	2016	100%	100%
99 Jasminova 2016 Sp. z o.o.	2016	100%	100%
100 Town 2016 Sp. z o.o.	2016	100%	100%
101 E.E.E. Development 2016 Sp. z o.o.	2016	100%	100%
102 Enterprise 2016 Sp. z o.o.	2016	100%	100%

Company Financial Statements for the year ended 31 December 2019

Notes to the Company Financial Statements

1. General (cont'd)

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		31 December 2019	31 December 2018
103 Wrocław 2016 Sp. z o.o.	2016	100%	100%
104 Darwen Sp. z o.o. ⁽²⁾	2017	100%	n.a.
105 Truro Sp. z o.o. ⁽²⁾	2017	100%	n.a.
106 Tregaron Sp. z o.o. ⁽²⁾	2017	100%	n.a.
107 Totton Sp. z o.o. ⁽²⁾	2017	100%	n.a.
108 Tring Sp. z o.o. ⁽³⁾	2017	100%	n.a.
109 Thame Sp. z o.o. ⁽³⁾	2017	100%	n.a.
110 Troon Sp. z o.o. ⁽³⁾	2017	100%	n.a.

(2) Acquired during execution of first call option agreement on 5 April 2019.

(3) Acquired during execution of second call option agreement on 7 October 2019.

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

Shares

As at	9 March 2020 Number of shares / % of shares	Change in number of shares	31 December 2019 Number of shares / % of shares	Change in number of shares	31 December 2018 Number of shares/ % of shares
Shares issued:	164,010,813	-	164,010,813	-	164,010,813
I.T.R. Dori B.V. ⁽¹⁾	108,349,187 66.06%	-	108,349,187 66.06%	20,900,000 12.74 p.p.	87,449,187 53.32%
RN Residential B.V. ⁽¹⁾⁽²⁾	- n.a.	-	- n.a.	(20,900,000) -12.74 p.p.	20,900,000 12.74%
Nationale Nederlanden Otwarty Fundusz Emerytalny	23,884,091 14.56%	-	23,884,091 14.56%	-	23,884,091 14.56%
Metlife Otworthy Fundusz Emerytalny	n.a. Between 5%-10%	-	n.a. Between 5%-10%	-	n.a. Between 5%- 10%

Votes

	9 March 2020 Number of votes/ % of votes	Change in votes ⁽³⁾	31 December 2019 Number of votes / % of votes	Change in votes ⁽³⁾	31 December 2018 Number of votes /% of votes
No. of votes⁽³⁾:	163,276,291	(59,622)	163,335,913	(674,900)	164,010,813
I.T.R. Dori B.V. ⁽¹⁾	108,349,187 66.36%	- 0.02 p.p.	108,349,187 66.34%	20,900,000 13.02 p.p.	87,449,187 53.32%
RN Residential B.V. ⁽¹⁾⁽²⁾	- n.a.	-	- n.a.	(20,900,000) -12.74 p.p.	20,900,000 12.74%
Nationale Nederlanden Otwarty Fundusz Emerytalny	23,884,091 14.63%	- 0.01 p.p.	23,884,091 14.62%	- 0.06 p.p.	23,884,091 14.56%
Metlife Otworthy Fundusz Emerytalny	n.a. Between 5%-10%	-	n.a. Between 5%-10%	-	n.a. Between 5%- 10%

(1) The subsidiaries of A. Luzon Group.

(2) In June 2019 as a result of reorganization process of A. Luzon Group, RN Residential B.V. was merged into I.T.R. Dori B.V.

(3) The overall number of votes decreased by the amount of votes resulting from own shares held by the Company, as in accordance with art. 364 § 2 of the Code of Commercial Companies, it does not exercise voting rights from own shares.

Notes to the Company Financial Statements

2. Accounting principles

a) Basis of preparation and statement of compliance

The Company Financial Statements of Ronson Development SE have been prepared in accordance with IFRS as endorsed by the European Union (“IFRS”). IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

The Company’s Financial Statements of Ronson Development SE were approved by the Management Board for publication on 10 March 2020 in both English and Polish languages, while the Polish version is binding.

The Company’s Financial Statements of Ronson Development SE have been prepared on the going concern assumption, i.e. the continuation of the Company’s business activity in the foreseeable future. As at the day of the approval of these financial statements, there were no circumstances identified implying any threats to the continuation of the Company’s activity.

The financial statements have been prepared on a historical cost basis. With regards to valuation of investment in subsidiaries IAS 27 allows for valuation either at cost or at fair value or in accordance with the equity method. The Company decided to select the equity method.

b) Functional and reporting currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The Company Financial Statements are presented in thousands of Polish Zloty (“PLN”), which is the Company’s functional and presentation currency.

Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than the functional currency are recognized in the statement of comprehensive income.

c) Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reported period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Uncertain tax treatment

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

Notes to the Company Financial Statements

2. Accounting principles (cont'd)

c) Use of estimates and judgements (cont'd)

Uncertain tax treatment (cont'd)

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

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

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

Further details on taxes are disclosed in Note 9.

Notes to the Company Financial Statements

3. Significant accounting policies

The accounting policies applied in the preparation of the attached financial statements are consistent with those applied in the preparation of the financial statements of the Company for the year ended 31 December 2018 with the exception of the standards and amendments presented below.

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

The above standards, amendments and improvements do not have any material impact on the financial statements of the Company. The Company has decided not to apply earlier any Standard, Interpretation or Amendment that has been issued, but has not yet become effective in light of the EU regulations

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

(a) Foreign currency

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

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(b) Revenue from contracts with customers

Revenue from consulting services represents fees charged by the Company to its subsidiaries. Revenue is recognized when control of the goods or services are transferred at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the related parties.

(c) Financial instruments

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

Notes to the Company Financial Statements

3. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

Financial assets

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

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

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

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

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

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

Notes to the Company Financial Statements

3. Significant accounting policies (cont'd)

Financial liabilities

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

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

Loans and borrowings is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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

Category	Statement of financial position item	Measurement
Assets measured at amortized costs	Loans granted to subsidiaries	Amortized cost method
	Cash and cash equivalent	Amortized cost method
	Trade and other receivables and prepayments	Amortized cost method
Liabilities measured at amortized costs	Bond loans	Amortized cost method
	Loans from subsidiaries	Amortized cost method
	Trade and other payables and accrued expenses	Amortized cost method

Investments in subsidiaries

Subsidiaries are entities the Company controls directly or indirectly. The Company accounts, based on IAS 27 par 10(c), for investments in subsidiaries under equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted subsequently for the post-acquisition changes in share of the net assets of subsidiaries. Dividends received or receivable from subsidiaries are recognised as a reduction in the carrying amount of the investment. The financial statements of subsidiaries are prepared for the same period as the financial statement of the Company. All subsidiaries keep books of accounts in accordance with accounting policies specified in the Accounting Act dated 29 September 1994 ('the Accounting Act') with subsequent amendments and the regulations issued based on that Act. The Company accounts for investments in subsidiaries based on their financial statements as per books of accounts adjusted in order to bring the financial statements of those entities in conformity with IFRSs as adopted by EU.

Notes to the Company Financial Statements

3. Significant accounting policies (cont'd)

(d) Equity

(i) Share capital

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

(ii) Share premium

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

(iii) Treasury shares

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

(e) Provisions

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

(f) Income tax expense

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

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

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

(g) Share options granted

Equity-settled transactions

The fair value of share options granted to management and other employees as at the grant date is recognized as an employee expense, with a corresponding increase in equity recognized in retained earnings, over the period during which the employees become unconditionally entitled to the options. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognized in employee benefits expense.

Notes to the Company Financial Statements

3. Significant accounting policies (cont'd)

(h) Cash and cash equivalents

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

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

(i) Employee benefits

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

Notes to the Company Financial Statements

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

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

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

The effective dates are dates provided by the International Accounting Standards Board. Effective dates in the European Union may differ from the effective dates provided in standards and are published when the standards are endorsed by the European Union. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

These standards, amendments and interpretations are expected to have no material impact on the financial statements of the Company.

5. Revenue

The Company provides services related to the preparation and organization of the investment process with respect to development projects owned by the Company's subsidiaries. As part of its responsibilities, the Company undertakes the performance of advisory, management, legal and other activities necessary to manage the investment process. The Company recognizes revenues when the obligation to perform the service is fulfilled, i.e. during the service provision period. The concluded agreements do not contain a significant element of financing. Due to such characteristics of the contracts signed, there are no significant balances of contract assets or contract liabilities, except for trade receivables.

The decrease of revenues for the year ended 31 December 2019 as compared to the year ended 31 December 2018 results from decreasing of the revenues recognized on Nova Królikarnia project from PLN 4,011 thousand the year ended 31 December 2018 to PLN 1,800 thousand during the year ended 31 December 2019.

Notes to the Company Financial Statements

6. General and administrative expense

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
External services	806	783
Remuneration fees	3,349	2,248
Other	289	260
Total	4,444	3,291

7. Directors' remuneration

Management Board personnel compensation

Management Board personnel compensation, payable by the Company, is presented in the table below. For compensations paid by other entities in the Group reference is made to the Consolidated Financial Statements.

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Salary and other short time benefit	85	-
Management bonus	57	-
Signing bonus	173	-
Other ⁽¹⁾	491	-
Subtotal – Mr Boaz Haim	806	-
Salary and other short time benefit ⁽²⁾	851	854
Termination fee ⁽²⁾	155	-
Other ⁽¹⁾	209	225
Subtotal - Mr Nir Netzer	1,215	1,079
Salary and other short time benefit ⁽²⁾	414	415
Management bonus ⁽²⁾	55	83
Termination fee ⁽²⁾	104	-
Subtotal - Mr Rami Geris	573	498
Incentive plan linked to financial results	331	330
Subtotal - Mr Andrzej Gutowski	331	330
Total	2,925	1,907

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

(2) Transactions with related parties.

Alon Haver

As Mr Alon Haver is also a Management Board member of the indirect major shareholder of the Company (A. Luzon Group), he is not receiving any remuneration from Ronson Development SE nor from any of the Company's subsidiaries. The Company is covering expenses related to his activity as a Company's Management Board member, such as travel and accommodation expenses

Notes to the Company Financial Statements

7. Directors' remuneration (cont'd)

Supervisory Board remuneration

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Mr Ofer Kadouri	69	77
Mr Alon Kadouri	64	55
Mr Shmuel Rofe	82	77
Mr Piotr Palinek	69	55
Mr Przemyslaw Kowalczyk	73	77
Total	357	341

The supervisory directors are entitled to an annual fee of EUR 8,900 plus an amount of EUR 1,500 per board meeting (EUR 750 if attendance is by telephone). The total amount due in respect of Supervisory Board fees during 2019 and 2018 amounted to PLN 357 thousand (EUR 83 thousand) and PLN 341 thousand (EUR 80 thousand), respectively. In addition the Company paid social security contributions at the amount of PLN 67 thousand in the year ended 31 December 2019.

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

8. Net finance income and expense

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Interests and fees on granted loans to subsidiaries	7,274	8,407
Interest income on bank deposits	70	50
Other	8	-
Finance income	7,352	8,457
Interest expense on bonds measured at amortized cost	(10,351)	(10,959)
Foreign exchange losses	-	(16)
Commissions and fees	(894)	(881)
Other	(33)	(52)
Finance expense	(11,278)	(11,908)
Net finance income/(expense)	(3,926)	(3,451)

Company Financial Statements for the year ended 31 December 2019**Notes to the Company Financial Statements****9. Income tax**

Until 31 October 2018, the Company was domiciled in the Netherlands. As a result, until that date the Company's tax returns were filed with the Dutch tax authorities. Following the transfer of office to Poland, all of the Company's (Dutch) tax losses carried forward are no longer available for compensation in future years. Moreover, during the year ended 31 December 2018, the Company reversed withholding tax for the total amount of PLN 495 thousand, that was presented in the Company Statement of Financial Position under Income tax receivable to the Company Statement of Comprehensive Income under Income tax expenses.

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Current tax expense		
Current period	-	-
Reversal of withholding tax in the Netherlands	-	495
Total current tax expense	-	495
Deferred tax expense		
Origination and reversal of temporary differences	207	(337)
Tax losses utilized/(recognized)	(742)	(143)
Total deferred tax (benefit)/expense	(535)	(480)
Total income tax (benefit)/expense	(535)	15

10. Investment in subsidiaries

The subsidiaries of the Company are valued with equity pick-up method.

The movements in subsidiaries are as follows:

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Balance at beginning of the year	407,309	454,422
Investments in subsidiaries	-	2,071
Net result of subsidiaries during the year	18,944	11,382
Dividends from subsidiaries	(6,418)	(62,500)
Acquisition of non-controlling interest	-	1,934
Total closing balance	419,835	407,309

The Company holds and owns (directly and indirectly) 110 companies. For information about companies in the Group, controlled directly and indirectly, which financial data are included in the Note 1 of this Financial Statements. These companies are active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland. The projects managed by the companies are in various stages of development ranging from being in the process of acquiring land for development to projects which are completed or near completion.

Notes to the Company Financial Statements

11. Loan granted to subsidiaries

Movements in loans granted to subsidiaries

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Opening balance	155,836	83,557
Loans granted	46,916	82,000
Loans repayment	(88,254)	(14,700)
Sales of interests	-	(3,429)
Charges and fees	-	-
Amortization of charges and fees	215	421
Accrued interest	7,059	7,987
Repayment of interest	(7,943)	-
Total closing balance	113,829	155,836
Current assets	24,223	31,851
Non-current assets	89,606	123,985
Total closing balance	113,829	155,836

Loans as at 31 December 2019:

<i>In thousands of Polish Zlotys (PLN)</i>	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Charges and fees	Carrying value
Ronson Development Finco	PLN	Wibor 6M + 4.15%	2020	10,000	199	(8)	10,191
Ronson Development Finco	PLN	5.75%	2020	1,043	68	(33)	1,078
Ronson Development Finco	PLN	6.00%	2020	10	296	-	306
Ronson Development Skyline	PLN	6.00%	2020	7,350	5,298	-	12,648
Ronson Development Finco	PLN	Wibor 6M + 3.90%	2021	6,000	114	(45)	6,069
Ronson Development Finco	PLN	Wibor 6M + 4.0%	2023	5,000	105	-	5,105
Ronson Development Finco	PLN	Wibor 6M + 4.0%	2023	3,000	20	-	3,020
Nova Królikarnia B.V.	PLN	Wibor 6M + 4.0%	2022	49,212	1,704	-	50,916
Nova Królikarnia B.V.	PLN	Wibor 6M + 4.0%	2024	5,000	121	-	5,121
Tras 2016 Sp. z o.o.	PLN	Wibor 6M + 4.0%	2023	7,000	300	-	7,300
Tras 2016 Sp. z o.o.	PLN	Wibor 6M + 4.0%	2023	11,916	159	-	12,075
Total loans granted to subsidiaries				105,531	8,384	(86)	113,829

Notes to the Company Financial Statements

11. Loan granted to subsidiaries (cont'd)

Loans as at 31 December 2018:

<i>In thousands of Polish Zlotys (PLN)</i>	Currency	Nominal interest rate	Year of maturity	Capital	Accrued interest	Charges and fees	Carrying value
Ronson Development Finco	PLN	Wibor 6M + 4.0%	2019	2,000	125	-	2,125
Ronson Development Finco	PLN	Wibor 6M + 4.0%	2019	10,000	98	(24)	10,074
Ronson Development Finco	PLN	Wibor 6M + 4.1%	2019	4,500	45	(10)	4,535
Ronson Development Finco	PLN	Wibor 6M + 4.1%	2019	10,000	100	(42)	10,058
Ronson Development Finco	PLN	Wibor 6M + 4.1%	2019	5,009	50	-	5,059
Ronson Development Finco	PLN	Wibor 6M + 4.15%	2020	10,000	101	(61)	10,040
Ronson Development Finco	PLN	5.75%	2020	10,000	98	(90)	10,008
Ronson Development Finco	PLN	6.00%	2020	10	296	-	306
Ronson Development Skyline	PLN	6.00%	2020	7,350	4,857	-	12,207
Ronson Development Finco	PLN	Wibor 6M + 3.90%	2021	6,000	58	(75)	5,983
Nova Królikarnia B.V.	PLN	Wibor 6M + 5.78%	2022	82,000	3,441	-	85,441
Total loans granted to subsidiaries				146,869	9,269	(302)	155,836

The loans are not secured.

Notes to the Company Financial Statements

12. Shareholders' equity

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

Treasury shares

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

- the Company may purchase own shares with an aggregate nominal value representing no more than 1,53% of the share capital of the Company, i.e. up to 2,500,000 shares;
- the purchase price for one share cannot be:
 - a) lower than the nominal value of one share in the Company, i.e. EUR 0.02 per share, and
 - b) higher than the book value of the Company per one share (calculated on a basis of audited financial statement for year 2017), i.e. PLN 2.10 per share;
- the maximum amount allocated for the purchase of own shares shall not be higher than PLN 2.0 million;
- the authorization granted to the Management Board for the purchase of own shares shall cover a period lasting until 24 January 2020, however not longer than expiration of the amount allocated for the purchase of own shares.
- In order to fund the purchase of own shares under the buyback program a capital reserve (within the retained earnings) is established for an amount of PLN 2.0 million. The capital reserve is subsequently reduced by the amount of the consideration paid for the shares bought back, the amount capital reserve as at 31 December 2019 amounted to PLN 1,420 thousand and is presented as a part of the retained earnings.
- during the year ended 31 December 2019, the Company acquired 674,900 own shares for a total price of PLN 580 thousand (on average PLN 0.857 per share).

Dividend

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

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

Notes to the Company Financial Statements

13. Bond loans

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

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

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

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

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

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

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

As at 31 December 2019 and as at 31 December 2018 all covenants on bond loans are met. More details on bonds are presented in the Consolidated Financial Statements in the Note 28.

Company Financial Statements for the year ended 31 December 2019**Notes to the Company Financial Statements****14. Trade and other payables and accrued expenses**

As at 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Trade payables and accrued expenses	1,431	1,263
Payables for Nova Królikarnia project	-	13,000
Total trade and other payables and accrued expenses	1,431	14,263

On 10 April 2018, the Company completed the acquisition of certain shares in and loans granted to project companies owning properties constituting the Nova Królikarnia project for a price of PLN 83.8 million under a sale and purchase agreement with Global City Holdings B.V. ('GCH').

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

15. Commitments and contingencies**Nova Królikarnia transaction**

The Company and GCH have concluded call option agreements for a total value of PLN 78.9 million, under which the Company has been granted three call options with respect to the shares in the eight other project companies holding the remaining stages of the Nova Królikarnia project. In April 2019 and October 2019, the Company (via its subsidiary) exercised the first two options. The third and last option shall be executed the latest till April 2020. Certain fees in the maximum amount of PLN 11.9 million will be due by the Company if the Company does not exercise all three call options within certain deadlines. However, the fees shall be reduced proportionally to the extent options have been exercised. As the result of the first two call options having been exercised, the amount of the fee contingency decreased to PLN 1.5 million.

Guarantees granted by the Company

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

Guarantees provided by the Company

The table below present sureties that were provided by the Company as at 31 December 2019 and as at 31 December 2018, to banks with respect to the construction loan contacts signed by the Company's subsidiaries:

Entity name	Sureties	Amount as at
<i>In thousands of Polish Zlotys (PLN)</i>	up to the amount of	31 December 2019
Santander Bank Polska S.A.	29,857	4,881
Powszechna Kasa Oszczędności Bank Polski S.A.	1,965	1,965
Total	31,822	6,846

Entity name	Sureties	Amount as at
<i>In thousands of Polish Zlotys (PLN)</i>	up to the amount of	31 December 2018
Santander Bank Polska S.A.	29,857	-
Alior Bank S.A.	15,000	-
Total	44,856	-

Notes to the Company Financial Statements

16. Related party transactions

During the financial years ended 31 December 2019 and 31 December 2018, respectively, there were no transactions between the Company on the one hand, and its shareholders, their affiliates and other related parties which would qualify as not being at arm's length.

The Company's related party transactions included primarily investment in subsidiaries, dividends received; loans granted and received, revenues from consulting services and remuneration of Management and Supervisory Board Members. Details on the transactions are presented in these financial statements.

For further information on related party transactions reference is made to Note 36 of the Consolidated Financial Statements.

17. Financial risk management, objectives and policies

The Company on standalone basis and as a parent to Ronson Group is exposed to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Management Board reviews and agrees policies for managing each of these risks on the consolidated level. For a description of the Groups's financial risk management, objectives and policies reference is made to Note 37 of the Consolidated Financial Statements. Details regarding the financial risk factors in relation to the Company are described below.

The Company's principal financial instruments comprise cash balances, bond loans, loans granted, trade receivables and trade payables. The main purpose of these financial instruments is to manage the Company's liquidity and to raise finance for the Company's and Group's operations. The Company and the Group does not use derivative financial instruments to hedge currency or interest rate risks arising from the Company's or Group's operations and its sources of finance. It is, and has been throughout the year ended 31 December 2019 and 2018, the Company's and Group's policy that no trading in (derivative) financial instruments shall be undertaken.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash and cash equivalents, receivables and loans granted to subsidiaries. The carrying amounts of the financial assets represent the maximum credit risk exposure.

The Company does not expect any counter parties to fail in meeting their obligations. In particular with respect to the loans granted to subsidiaries, the Company as a parent, is able to monitor on ongoing basis the financial standing of counter parties. All loans granted were determined as low credit risk instruments at initial recognition and with respect to none loan the credit risk has increased. The Company places its cash and cash equivalents in financial institutions with high credit ratings. Management does not expect any counterparty to fail to meet its obligations. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Group's customer base, primarily related parties and past history confirm recoverability of amounts due. Given such characteristics of the financial instruments the Management estimates that credit risk loss allowance with respect to all financial instruments, including primarily loans granted, is immaterial.

Notes to the Company Financial Statements

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

Market risk

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

(i) Foreign currency risk

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

(ii) Price risk

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

(iii) Interest rate risk

Except for bonds series P amounting to PLN 10.0 million, the Company did not enter into any fixed-rate borrowings transaction. The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. The Company's risk is offset by loans granted, which terms and conditions reflect terms and conditions of bond loans received. Short-term receivables and payables are not exposed to interest rate risk.

Liquidity risk

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

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

18. Information about agreed-upon engagements of the Company's auditor

Information about audit agreements and the values from those agreements is disclosed below:

For the year ended 31 December	2019	2018
<i>In thousands of Polish Zlotys (PLN)</i>		
Audit and reviews remuneration	461	439
Audit remuneration for prior periods	56	123
Reimbursed audit review costs ⁽¹⁾	(73)	(70)
Total audit remuneration for the expense of the Company	444	492

(1) Costs in respect of the audit review of the Company's first and third quarter reports have been reimbursed in 50% to Main Company's shareholder. For an explanation reference is made to Note 36 to the Consolidated Financial Statements (under 'Other').

19. Proposed profit appropriation

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

Notes to the Company Financial Statements

20. Events during the financial year

Share buyback program

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

Changes in the Management Board

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

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

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

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

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

Changes in the Supervisory Board

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

Dividend

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

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

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

Bonds loans

On 31 January 2019, the Company issued 32,317 series U bonds with a total nominal value of PLN 32,317 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series U bonds shall be redeemed on 31 January 2023.

Notes to the Company Financial Statements

21. Subsequent events

Buy-back of own shares

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

Bond loans

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

Changes in the Management Board

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

The Management Board

Boaz Haim

President of the Management Board

Yaron Shama

Vicepresident of the Management Board, CFO

Andrzej Gutowski

Vicepresident of the Management Board,
Sales and Marketing Director

Alon Haver

Member of the Management Board

Krystyna Chenash

Person responsible for the accounting records

Warsaw, 10 March 2020