



## **STATUTORY AUDITOR'S REPORT**

from audit of consolidated  
financial statement  
for the period  
from 1<sup>st</sup> of January 2019 to 31<sup>st</sup> of December 2019  
**of the DEKPOL Capital Group**  
in Pinczyn

## REPORT OF INDEPENDENT STATUTORY AUDITOR FROM AUDIT OF CONSOLIDATED FINANCIAL STATEMENT

**For the General Meeting of Shareholders and the Supervisory Board**

**of the Dekpol Capital Group S.A.**

**with its registered office in Pinczyn, ul. Gajowa 31**

### **Report from audit of the annual consolidated financial statement**

#### **Opinion**

We audited the annual consolidated financial statement of the Capital Group, in which the parent entity is Dekpol S.A. ("Parent Entity"), ("Group") containing consolidated statement of financial position as at December 31, 2019 and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for financial year from 1<sup>st</sup> of January until 31<sup>st</sup> of December 2019 and additional information including description of the adopted accounting principles and other explanatory information ("consolidated financial statement").

In our opinion, attached annual consolidated financial statement:

- presents a true and fair view of the consolidated material and financial situation of the Group as at 31<sup>st</sup> of December 2019 and its consolidated financial result and consolidated cash flows for financial year ended on that day in accordance with the applicable International Financial Reporting Standards approved by the European Union and adopted accounting rules (policy),
- is consistent in form and content with applicable regulations and the statute of the Parent Entity.

This opinion is consistent with additional report for the Audit Committee, which we issued on 16<sup>th</sup> of May 2020.

#### **Opinion's background**

We conducted our audit in accordance with the International Standards of Research in the version adopted as National Standards of Research by the National Council of Statutory Auditors no. 3430/52a/2019 from 21<sup>st</sup> of March 2019 regarding the national auditing standards and other documents as amended („NSR”) and in accordance with the Act dated 11th of May 2017

on statutory auditors, auditing companies and public supervision (the "Act on Certified Auditors" - Dz. U. 2017 r., pos. 1089) and EU Regulation No. 537/2014 of 16th of April 2014 on specific requirements regarding statutory audit of public-interest entities ("EU Regulation" - Official Journal EU L158). Our responsibility in accordance with these standards is further described in the section of our report *Auditors' Responsibility for auditing the financial statement*.

We are independent of the Group companies in accordance with the Code of Professional Accountants of the International Federation of Accountants ("IFAC Code") adopted by the resolutions of the National Council of Statutory Auditors no 2042/38/2018 dated 13<sup>th</sup> of March 2018 regarding professional ethics' principles of statutory auditors and other ethical requirements that apply to the audit of financial statements in Poland. We have fulfilled our other ethical obligations in accordance with these requirements and the IFAC Code. During the audit, the key certified auditor and the audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Certified Auditors and in the EU Regulation.

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

#### **Explanation incl. devoting special attention – event after reporting date**

We would like to draw your attention to Note no. 27 to the consolidated financial statement, which describes the impact of the ongoing SARS-CoV-2 virus epidemic on the Group's operations. Our opinion is not modified in relation to this matter.

#### **Key audit matters**

Key audit matters are matters that, according to our professional judgment, were the most significant while auditing the consolidated financial statement for the current reporting period. They include the most significant assessed risks of material misstatement, including the assessed caused by fraud. We referred to these matters in the context of our audit of the consolidated financial statement as a whole, in forming of our opinion, and summarized our reaction to these risks and in cases where we considered appropriate we presented the key observations related to these risks. We do not express a separate opinion on these matters.

Key audit matter	How our audit referred to this matter
<p><b>Settlement of long-term contracts due to ongoing contracts with external clients and related entities, in which the audited parent entity acts as the general contractor</b></p>	<p>Verification and assessment of the correctness of accounting policy principles in relation to the provisions of IFRS 15, practices applicable in a given industry and our understanding of the group's business;</p> <p>Understanding and verifying internal control procedures for the settlement of construction services contracts, including budgeting, recognition and allocation of costs and revenues from the contract, as well as the correctness of estimation of the stage of contract's completion;</p> <p>Assessment of the correctness and quality of prepared budgets for unfinished projects by comparing achieved results and the level of costs with the parent entity's original plans and estimates;</p> <p>Conducting detailed reliability tests on a selected sample of occurrence and correctness of the amounts of project costs incurred, by agreeing them with the source documents, including invoices and acceptance reports;</p> <p>Verification of completeness in terms of provisions created for incurred and invoiced costs related to implemented contracts;</p> <p>Verification of the progress of works on selected construction sites through inspection and conversations with construction managers to confirm the correctness of the progress of projects included;</p> <p>Verification of the correctness and completeness of disclosures, including regarding recognition of revenues from construction contracts, as well as disclosures regarding significant court proceedings.</p>
<p><b>Correctness of recognition of revenues from real-estate development activities, construction services and performing the function of general contractor for related entities, as well as from sale of products</b></p>	<p>Verification and assessment of the correctness of accounting policies in relation to the provisions of IFRS 15, industry practices and our understanding of the parent entity's business and related entities;</p> <p>Verification of internal control in terms of accuracy and completeness of recognized revenue, as well as uniformity of principles applied by all entities of the capital group for consolidation purposes;</p> <p>Detailed reliability tests on the selected sample of correctness and the occurrence of the amounts of disclosed revenues by reconciling them to the source documentation, including invoices, acceptance reports, notarial deeds, contracts and confirmation of product delivery;</p> <p>Verification of revenue recognition in individual units of the group by analyzing confirmation of balances and turnover between entities in the capital group;</p> <p>Verification by means of credibility tests of the correctness of the demarcation of revenues and recognition of them to the correct reporting period.</p>

**The correctness of disclosure and valuation of investment properties**

Verification of the rights of entities of the capital group to reporting of investment properties in terms of title and existence, including testing on a selected sample by analyzing source documents regarding purchase and land and mortgage registers;

Verification of expert valuations, based on which investment properties were recognized in terms of the parameters and assumptions used, valuation methods as well as assessment of objectivity and qualifications of valuation experts;

Checking completeness, accuracy and correctness of amounts regarding the value of investment properties included in the financial statement and reference of valuations to the financial result by analyzing entries in the accounting books with source documents, including valuations;

Checking the correct recognition of an asset as investment property by confirming its intended use and the type of usage.

**Other matters – scope of audit**

The consolidated financial statement of the Group for the year ended 31<sup>st</sup> of December 2018 was audited by a statutory auditor acting on behalf of another audit company, who expressed an unqualified opinion on this report on 30<sup>th</sup> of April 2019.

**Responsibility of the Management Board and Supervisory Board of the Parent Company for the consolidated financial statement**

Management Board of the Parent Entity is responsible for preparing, on the basis of correctly kept accounting books of consolidated financial statement, that presents a true and fair view of the property and financial situation and financial results of the Group in accordance with the International Financial Reporting Standards approved by the European Union, adopted accounting principles (policy) and the applicable laws and statute, as well as internal control, which the Management Board of the Parent Company considers necessary to enable the preparation of consolidated financial statement without material distortion caused by fraud or error.

While preparing the consolidated financial statement, the Parent Entity's Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, if applicable, matters related to going concern and adopting the principle of going concern as an accounting basis, except when the Management Board intends to liquidate the Group, either abandon doing business or there is no real alternative for liquidation or discontinuation of business activities.

Management Board of the Parent Entity and members of the Parent Entity's Supervisory Board are required to ensure that the consolidated financial statement meets the requirements of the Accounting Act ("Accounting Act" – Dz. U. 2019 r. pos. 351 as amended). Members of the Parent Entity's Supervisory Board are responsible for supervising of financial reporting process.

**Statutory Auditor's responsibility for auditing the consolidated financial statement**

Our objectives are to obtain reasonable assurance that the consolidated financial statement as a whole does not contain any material misstatement due to fraud or error and to issue a report containing our opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that a test conducted in accordance with the NSR will always detect the existing significant distortion. Distortions may arise as a result of fraud or error and are considered material if it can reasonably be expected that, individually or in aggregate, they could influence users' business decisions made on the basis of these consolidated financial statement.

The scope of the audit does not include assurance as to the future profitability of the audited Group nor the effectiveness or efficiency of conducting the affairs of the entity by the Management Board of the Parent Entity currently or in the future.

During audit process in accordance with the NSR, we apply professional judgment and maintain professional skepticism, as well as:

- we identify and assess risks of material misstatement of the consolidated financial statement caused by fraud or error, we design and conduct audit procedures that address these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not recognizing a significant misstatement due to fraud is greater than that resulting from the error, as the fraud may involve collusion, falsification, intentional omissions, misrepresentation or circumvention of internal control;
- we gain an understanding of the internal control appropriate to the audit to design audit procedures that are appropriate under the certain circumstances, but not to express an opinion on the effectiveness of the Group's internal control;
- we assess the appropriateness of the accounting principles (policies) used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent Entity;
- we draw a conclusion on the appropriateness of the Parent Entity's Management Board's application of going concern assumption as an accounting basis and, based on the audit evidence, whether there is significant uncertainty related to events or conditions that may substantially doubt the Group's ability to continue as a going concern. If we conclude that there is significant uncertainty, we require that we draw attention in our auditor's report to related disclosures in the consolidated financial statement,
  - or, if such disclosures are inadequate, we modify our opinion. Our applications are based on audit evidence obtained up to the date of our audit report, however future events or conditions may cause the Group to cease its activities;
- we assess the overall presentation, structure and content of the consolidated financial statement, including disclosure, whether the consolidated financial statement presents the underlying transactions and events in a manner that ensures a fair presentation;

- we obtain sufficient relevant audit evidence regarding the financial information of entities or businesses within the Group to express an opinion on the consolidated financial statement. We are responsible for managing, supervising and conducting the Group study and we remain solely responsible for our audit opinion.

We provide the Supervisory Board of the Parent Entity with information about, among other the planned scope and time of the audit and significant findings of the audit, including any significant weaknesses of internal control that we will identify during the audit.

We submit to the Parent Entity's Supervisory Board a statement that we have complied with the relevant ethical requirements regarding independence and that we will inform them of all connections and other matters that could reasonably be considered to pose a threat to our independence and, where applicable, we report security measures applied.

From among the matters forwarded to the Supervisory Board of the Parent Entity, we determined those matters that were most significant during the audit of the consolidated financial statement for the current reporting period and therefore we considered them as the key issues of the audit. We describe these matters in our auditor's report, unless laws or regulations prohibit public disclosure or when, in exceptional circumstances, we determine that the issue should not be presented in our report because it would reasonably be expected that the negative consequences would outweigh the benefits of such a report. information for the public interest.

### **Other information, including report from business activities**

Other information include the Report on the Group's business activities for financial year ended 31<sup>st</sup> of December 2019 ("Business Activities Report") together with the statement on corporate governance, which are separate parts of this Report and the Annual Report for the financial year ended 31<sup>st</sup> of December 2019 ("Annual report") (together "Other information").

#### *Responsibility of the Management Board and Supervisory Board of the Parent Entity*

Management Board of the Parent Entity is responsible for preparation of the report on operations in accordance with applicable laws.

Management Board of the Parent Entity and members of the Parent Entity's Supervisory Board are obliged to ensure that the Report on the Group's business activities along with the separated part meet the requirements provided for in the Accounting Act.

## *Responsibility of the statutory auditor*

Our opinion on the audit of the consolidated financial statement does not include other information. In connection with the audit of the consolidated financial statement, it is our duty to review other information and, in doing so, consider whether other information are not materially inconsistent with the consolidated financial statement or our knowledge gained during the audit or otherwise appear significantly distorted. If, based on the work performed, we find significant distortions in other information, we are required to inform about it in our audit report. Our duty in accordance with the requirements of the Act on certified auditors is also to issue an opinion on whether the report on the Group's activities has been prepared in accordance with the regulations and whether it is consistent with the information contained in the consolidated financial statement. In addition, we are required to issue an opinion on whether the Group has included the required information in the corporate governance statement.

We obtained the report on the Group's business activities before the date of this audit report, and the Annual Report will be available after this date. If we find a significant distortion in the Annual Report, we are obliged to inform the Supervisory Board of the Parent Entity.

### **Opinion on Report from business activities**

Based on the work carried out during the study, in our opinion, the Report on the Group's business activities:

- was drawn up in accordance with Article 49 of the Accounting Act and the Regulation of the Ministry of Finance dated 29th of March 2018 regarding current and periodic information provided by issuers of securities and requirements for recognition of information required by the law of a Non-Member state as equivalent ("Regulation on current and periodic information" – Dz. U. 2018 r., pos. 757),
- is consistent with the information contained in the consolidated financial statement.

In addition, in the light of the knowledge about the Group and its environment obtained during our audit, we declare that we have not identified significant distortions in the Report on the Group's business activities.

### **Opinion regarding declaration of application of corporate governance**

In our opinion, in the statement on the application of corporate governance, the Group has included the information set out in paragraph 70, section. 6 point 5 letters c–f, h and i of the Regulation on current and periodic information. In addition, in our opinion, information indicated in paragraph 70, section 6 point 5 letters c–f, h of this Regulation contained in the statement on the application of corporate governance are consistent with the applicable regulations and information contained in the financial statement.

## **Report concerning other legal requirements and regulations**

### **Declaration concerning services which are not financial statements audit services**

According to our best knowledge and belief, we declare that the services which are not financial statement audit services, which we used to serve for the Group are consistent with laws and regulations applicable in Poland and that we have not provided non-audit services that are prohibited under Article 5 section 1 of the EU Regulation and art. 136 of the Act on certified auditors.

### **Selection of Statutory Audit Company**

We have been selected to audit the Company's financial statement by resolution of the Company's Supervisory Board dated 8<sup>th</sup> of August 2019. We are auditing the Company's financial statement for the first time.

The key statutory auditor responsible for the audit, result of which is this independent auditor's report, is: Mr. Piotr Witek

Electronically

signed by  
Piotr Andrzej Witek

Piotr Andrzej Witek Date:  
2020.05.16  
01:06:49<sup>®</sup> +02'00'

Key Statutory Auditor  
Evidence number 9631  
CEO

Acting on behalf of:

**REWIT Księgowi i Biegli Rewidenci Sp. z o.o.**  
80-137 Gdańsk, ul. Starodworska 1  
Firma audytorska wpisana na listę podmiotów uprawnionych  
do badania sprawozdań finansowych pod numerem 101

Gdańsk, 16<sup>th</sup> of May 2020