2020

POMERANIA WIND FARM SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

ALONG WITH THE INDEPENDENT AUDITOR'S AUDIT REPORT

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For shareholders of Pomerania Wind Farm Sp. z o.o

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16 April 2021

Diana Kazakevič

Digitally signed by Diana Kazakevič
Date: 2021.04.16 15:46:46 +02'00'

Diana Kazakevič
Chairman of the Management Board

Tadeusz Robinski
KR Group Sp. z o.o. S.k.
Responsible for running the accounting books

Aleksandr Spiridonov
Member of the Management Board

All amounts are stated in PLN

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2020	As at 31 December 2019
ASSETS			
Non-current assets		**511 052 387**	**146 786 668**
Non-current assets under construction	5.1.	452 850 745	98 796 463
Right-of-use assets	5.2.	56 462 414	41 213 120
Non-current receivables	6.	-	6 264 000
Deferred tax assets	23.2.	1 739 228	513 085
Current assets		**101 286 839**	**47 162 325**
Trade and other receivables	9.	6 323 288	91 743
VAT receivable	9.	63 531 373	18 671 842
Cash and cash equivalents	10.	31 432 178	28 398 740
TOTAL ASSETS		**612 339 226**	**193 948 993**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10.	44 500	44 500
Share premium	12.	153 109 041	154 050 000
Retained earnings	13.	(10 774 813)	(6 528 587)
Total equity		**142 378 728**	**147 565 913**
LIABILITIES			
Non-current liabilities		**455 030 766**	**37 861 800**
Interest-bearing loans and borrowings	14.	400 524 094	-
Lease liabilities	22.4.	54 506 672	37 861 800
Current liabilities		**14 929 732**	**8 521 280**
Trade and other payables	16.	5 774 855	6 995 379
Lease liabilities	22.4.	401 499	198 274
Interest-bearing loans and borrowings	14.	8 753 378	1 327 626
Total Liabilities		**469 960 498**	**46 383 080**
TOTAL EQUITY AND LIABILITIES		**612 339 226**	**193 948 993**

All amounts are stated in PLN

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
Sales revenue	17.	-	-
Sales of energy		-	-
Revenues from trading in financial instruments		-	-
Other operating income	18.	**50**	**602**
Other revenues		50	602
Operating expenses	19.1.	**(4 230 977)**	**(727 398)**
Depreciation		(1 889 420)	-
Usage of materials and energy		(27 954)	(23 782)
External services		(1 327 269)	(579 999)
Taxes and fees		(406 602)	(44 302)
Wages and salaries		(294 920)	(28 800)
Social security and other benefits		(65 652)	(5 905)
Other costs by type		(218 115)	(44 609)
Other operating expenses	19.3.	(1 045)	(1)
Profit (loss) from operational activity		**(4 230 927)**	**(726 796)**
Net financial income	20.	**(2 182 401)**	**(327 137)**
Financial income		-	-
Financial costs		(2 182 401)	(327 137)
Profit (loss) before tax		**(6 413 328)**	**(1 053 933)**
Income tax	24.	**1 226 143**	**112 974**
Net profit (loss) from continuing operations		**(5 187 185)**	**(940 959)**
Other comprehensive income		-	-
Total comprehensive income		**(5 187 185)**	**(940 959)**

All amounts are stated in PLN

	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
A. I. Profit (loss) before tax	**(6 413 328)**	**(1 053 933)**
A. II. Total adjustments	**(47 681 080)**	**(17 769 898)**
1. Depreciation and right-of-use assets	(1 889 420)	-
2. Net foreign exchange differences	765 404	-
3. Interest and profit sharing	-	-
4. Profit (loss) on investment activities		
5. Change in receivables	(44 827 076)	(17 960 304)
6. Change in short-term balance, except for loans and credits	(1 724 741)	222 524
7. Other	(5 247)	(32 118)
A. III. Net cash flows from operating activities	**(54 094 408)**	**(18 823 831)**
B. I. Proceeds from investment activities	**-**	**-**
B. II. Investment expenses	**(342 463 887)**	**(76 289 724)**
1. Purchase of intangible assets and non-current assets	(342 463 887)	**(76 289 724)**
B. III. Net cash flows from investing activities	(342 463 887)	(76 289 724)
C. I. Inflows from financing activities	**537 307 467**	**134 077 734**
1. Net inflows from the issue of shares and other capital instruments and capital surcharges	-	55 070 934
2. Proceeds from borrowings	537 307 467	79 006 800
C. II. Expenses for financing activities	**(137 715 734)**	**(10 698 000)**
3. 1. Acquisition of own shares	-	-
4. 2. Dividends and other payments to shareholders	-	-
5. 3. Outflows due to appropriation of profit other than payments to shareholders	-	-
6. 4. Repayment of borrowings	(130 913 000)	(10 698 000)
7. 5. Redemption of debt securities	-	-
8. 6. Relating to other financial liabilities	-	-
9. 7. Payment of principal portion of lease liabilities	(1 303 624)	-
10. 8. Interest on lease contracts	(7 248)	-
11. 9. Interest on credits and loans	(5 491 862)	-
C. III. Net cash flows from financing activities	399 591 733	123 379 734
D. Total net cash flow (A.III ± B.III ± C.III)	**3 033 438**	**28 266 179**
E. Balance sheet change in cash	**-**	**-**
- change in cash due to foreign exchange gains/losses	**-**	**-**
F. Cash and cash equivalents at the beginning of the period	**28 398 740**	**132 561**
G. Cash and cash equivalents at the end of the period (F ± D)	**31 432 178**	**28 398 740**

All amounts are stated in PLN

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Retained earnings	Total equity
As at 1 January 2019	5 000	-	(5 589 833)	(5 589 833)
Profit (loss) for the period			(938 754)	(938 754)
Revaluation reserve				
Transaction as a result of increase of share capital		154 050 000		154 050 000
Other comprehensive income	39 500			39 500
Total transactions with shareholders				
As at 31 December 2019	44 500	154 050 000	(6 528 587)	147 565 913
Profit (loss) for the period			(5 187 185)	(5 187 185)
Revaluation reserve				
Share premium		(940 959)	940 959	
Other comprehensive income				
Transactions from the increase of share capital				
As at 31 December 2020	44 500	153 109 041	(10 774 813)	142 378 728

The explanatory notes an integral part of the financial statements

1. General information

1.1. Information about the Company

Pomerania Wind Farm Sp. z o.o. formerly Pomerania Invall Sp. z o.o. (The "Company") was founded by a notarial deed of January 29, 2013. The company was entered into the National Court Register kept by the District Court for Gdańsk-Północ in Gdańsk, VIII Commercial Department of the National Court Register under number 000050928.

The company's registered office is in Gdańsk at al. Grunwaldzka 82/368, 80-244 Gdańsk.

Basic activities of the Company - 35.11. Production of electricity.

Other activities of the Company:

- Production and supply of electricity, gas, steam, hot water and air for air conditioning systems;
- Works related to the construction of civil engineering structures;
- Carrying out electrical installations.

The Company's duration is unlimited.

Change of the name of the Company from Pomerania Invall Sp. z o.o. to Pomerania Wind Farm Sp. z o.o. took place by the notarial deed 5621/2019 on May 29, 2019 and was registered in the National Court Register on July 3, 2019.

1.2. Members of the Management Board

As of the day of preparing the financial statements, the Company’s Management Board was composed of:

Diana Kazakevič - Chairman of the Management Board

Aleksandr Spiridonov – Member of the Management Board

During the reporting period and until the date of this report, there was no change in the composition of the Company's Management Board.

1.3. Identification of consolidated financial statements

Company does not prepare a consolidated financial statements since it does not control any subsidiaries

The first level of consolidation of the report is being prepared by UAB Ignitis Renewables. The report at the highest level is drawn up by AB "Ignitis grupė "- which is the sole shareholder of UAB Ignitis Renewables, which is a sole shareholder of Pomerania Wind Farm sp. z o.o.

1.4.Approval of the financial statements

These financial statements have been approved for publication by the Management Board on the date of it signing.

1.5. Company’s investments

The Company does not have any investments in subsidiaries.

2. Basis of preparation and going concern

2.1 Significant values based on professional judgment and estimates

2.1.1 Professional judgment

The preparation of the financial statements requires the Management Board to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying accounting policies, the Management Board has made various judgements.

The performed verification does not require additional disclosures in the financial statements.

2.1.2. Uncertainty of estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the particular notes of the related financial statements . The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

As a result of announced by the World Health Organization (WHO) SARS-CoV-2 pandemic and the increased number of COVID-19 cases and the associated operation under uncertainty and unpredictability, the impact of these circumstances on the global economy and Poland is noticeable. The above factors generate potential threats to global as well as Polish business as a whole.

Due to the circumstances, the Management Board of the Company analyzed the investment assumptions. The budget provide that the Pomerania Wind Farm will start generating revenues from the production and sale of electricity from May 2020. However, due to issues related to Covid-19, the wind turbines were erected a few months later. Additionally, due to delayed renovation works at the Energa SA station, the wind turbines could not be connected to the grid and commissioned in 2020. It is estimated that the energy procedures will be completed in second quarter, 2021 at the latest, and by that time wind turbines should start producing electricity. As at December 31, 2020, the Company employed employees who, in the first period of quarantine, worked from home, ensuring the performance of their functions. The Company's employees have adapted to the new working conditions and continue this practice during the second quarantine, thus minimizing the risk of contact with potentially infected people. In addition, the Ignitis Group has established a COVID-19 Steering Committee to help respond quickly and effectively to changing circumstances. The performed assessment does not require additional disclosures in the financial statements.

2.2. Statement of compliance

The financial statements contain financial data for the period from 1 January 2020 to 31 December 2020 and comparative data for the period from 1 January 2019 to 31 December 2019.

This financial statements for the period from 1 January 2020 to 31 December 2020 are annual financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

In accordance with the resolution of the Extraordinary General Meeting of Shareholders of December 23, 2019, the Company's financial statements are prepared in accordance with IFRS, starting from the annual financial statements for the 12 month period ended on December 31, 2019. The report for the period from January 1, 2019 to December 31, 2019 was prepared in accordance with the IFRS.

The Company will carry out one type of economic activity - the production of electricity on a wind farm. As at the date of preparation of the financial statements, the Company is in the investment phase, the expected date of completion the investment phase is the end of the second quarter of 2021. Moreover, there were no significant costs and revenues, profits and losses unrelated to this activity. The statement of financial position presented in the further part of the statement constitutes the balance of economic activities in the field of energy production, while the statement of comprehensive income constitutes the profit and loss account of this activity.

The functional currency of the Company and the currency of presentation of the financial statements is Polish Złoty (PLN). All amounts presented in the financial statements are expressed in PLN, unless otherwise indicated.

2.3. Assumption of going concern

The financial statements have been prepared assuming the going concern assumption in the future.

The epidemiological risk caused by the COVID-19 virus, in the opinion of the management board, does not affect the continuation of the Company's operations, it only contributed to extending the completion date of the investment stage by about 10 months from the planned, original date.

As a result of announced by the World Health Organization (WHO) SARS-CoV-2 pandemic and the increased number of COVID-19 cases and the associated operation under uncertainty and unpredictability, the impact of these circumstances on the global economy and Poland is noticeable. The above factors generate potential threats to global as well as Polish business as a whole. Due to the circumstances, the Management Board of the Company analyzed the assumptions of the forecasted cash flows in order to assess the threats to financial liquidity to the extent that threatens the ability to settle liabilities on the ongoing basis. As at December 31, 2020, current assets exceeded short-term liabilities by PLN 86 357 thousand. PLN, and cash as at that date amounted to PLN 31 432 thousand PLN. In the reporting period, the Company shows negative cash flows from operating activities in the amount of PLN 54 097 thousand. On March 9, 2020, the Management Board of the Company decided to obtain bank support for financing the investment. For this purpose, the Company signed an agreement with the European Investment Bank for a loan in the amount of PLN 258 000 thousand. Then, on November 14, 2020 the Company signed an agreement with the Nordic Investment Bank to obtain a loan in the amount PLN 150 000 thousand. Both of these loan agreements have a guarantor, AB Ignitis Grupė. Additionally, every 6 months, the Company is required to present a report on its financial standing. The first report was submitted to the bank on September 29, 2020. Moreover, the Company obtained an assurance of financial support from the shareholder of the Company, i.e. UAB "IGNITIS RENEWABLES", for a period of at least 12 months from the date of signing this letter. Taking into account the above information, the Management Board of the Company does not state that there are any significant uncertainties with regard to the assumption that the Company ability to continue its operational activity in the foreseeable future, at least 12 months after the balance sheet date, i.e. after December 31, 2020. As at the date of signing the financial statements, the Management Board of the Company does not state that there are any facts and circumstances other than these indicated above, which would indicate a threat to the Company's ability to continue as a going concern in the near future as a result of intended or compulsory discontinuation or significant limitation of its current activities.

3. Change in standards or interpretations, principles (accounting policy)

• IFRS 14 Regulatory accruals (published on 30 January 2014) - in accordance with the decision of the European Commission, the process of approving the standard in the initial version will not be initiated before the final version of the standard appears - until the date of approval of these financial statements, it has not been approved by the EU - applicable for annual periods beginning on or after 1 January 2016;

• Amendments to IFRS 10 and IAS 28 Sale or contribution transactions between an investor and its associate or joint venture (published on September 11, 2014) - work leading to the approval of these amendments has been postponed by the EU for an indefinite period - the entry into force has been postponed by IASB for an indefinite period;

• IFRS 17 Insurance Agreements (published on May 18, 2017) including Amendments to IFRS 17 (published June 25, 2020) - up to the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on or after January 1, 2023;

• Amendments to IAS 1: Presentation of financial statements - Division of liabilities into short-term and long-term and Division of liabilities into short-term and long-term - postponement of the effective date (published on January 23, 2020 and July 15, 2020, respectively) - not approved until the date of approval of these financial statements by the EU - applicable for annual periods beginning on or after 1 January 2023;

• Amendments to IFRS 3 Business Combinations (published on May 14, 2020) - until the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on or after January 1, 2022;

• Amendments to IAS 16 Property, plant and equipment: revenues achieved before putting into use (published on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on January 1, 2022 or later;

• Amendments to IAS 37 Onerous Contracts - Costs of Meeting Contractual Obligations (published on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2022;

• Amendments resulting from the review of IFRS 2018-2020 (published on May 14, 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on January 1, 2022 or later;

• Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9 (published on June 25, 2020) - applicable to annual periods beginning on or after January 1, 2021;

• Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Reform of interest rate benchmarks - Phase 2 (published on August 27, 2020) - applicable to annual periods beginning on January 1, 2021 or later.

• Amendments to IAS 1 and Practice Statement 2: Disclosure of information regarding accounting principles (policy) (published on February 12, 2021) - applicable to annual periods beginning on January 1, 2023 or later;
• Amendments to IAS 8: Definition of Accounting Estimates (published on February 12, 2021) - applicable to annual periods beginning on or after January 1, 2023.

The effective dates are the dates resulting from the content of the standards announced by the International Financial Reporting Council. The dates of application of the standards in the European Union may differ from the dates of application resulting from the content of the standards and are announced at the time of approval for use by the European Union.

4. Accounting principles (policy)

In accordance with IAS 1.119, when deciding to disclose a particular accounting policy, Management shall consider whether the information would assist users in understanding how transactions, other events and conditions affect the entity's financial performance and financial position. Each entity considers the nature of its operations and the accounting policies that the users of its financial statements would expect to be disclosed for that type of entity. Disclosure of specific accounting policies is particularly useful for users when those policies are selected from the alternatives allowed by IFRS. Some IFRSs specifically require the disclosure of specific accounting policies, including policies that were made as a result of management's choice between various policies that are permitted.

4.1. Non-current assets

4.1.1. Intangible assets

Intangible assets shall be deemed to have been acquired and fit for economic use on the date of acceptance for use:
• property rights, copyrights, licenses, concessions, rights to projects, inventions, patents, trademarks, ornamental or utility designs;
• costs of development works completed with a positive result;
• goodwill;
with an expected period of use more than one year, used for the purposes of business operations or put into use under a lease, tenancy or other similar contract.
Intangible assets classified as investments at market price or otherwise determined fair value reduced by amortization and accumulated impairment.
Intangible assets are amortized using the straight-line method over their estimated useful life, which are as follows:

Intangible assets	50%

At the end of each reporting period, the Company verifies the economic useful life of intangible assets and depreciation methods.

4.1.2. Property, plant and equipment

In the financial year, there were no changes in the accounting policy related to recognition and presentation of non-current assets.

In accordance with the Company's accounting policy, non-current assets from group such as, land, buildings, structures and machinery are measured in accordance with IAS 16.

As a result of applying the above model, the amount of subsidy obtained to finance the purchase of non-current assets and distributed over the period of use of non-current assets is presented in paragraph 'Non-current assets'.
Non-current assets at the time of their purchase are divided into components being items of significant value for which a separate period of economic usefulness can be assigned. The costs of general repairs are also a component.
Non-current assets are depreciated on a straight-line basis over the period corresponding to the estimated period of their economic usefulness, which is as follows:

Buildings and engineering facilities	30 years
Technical devices and machines	22,2 years

Depreciation begins in the month in which the asset is available for use.
Fixed assets with a low initial value, are recognized once as operating expenses.

Investments in progress relate to property, plant and equipment under construction or assembly and are carried at purchase price or production cost, less any impairment losses. Non-current assets under construction are not depreciated until the construction is completed and the non-current asset is commissioned.

4.2. Impairment of property, plant and equipment

In relation to property, plant and equipment, an annual assessment is made as to whether there are indications that may indicate impairment. In the event of events or circumstances that may indicate difficulty in recovering the carrying amount of an asset, an impairment test is performed.

For the purposes of the impairment test, assets are grouped at the lowest level at which they generate cash flows regardless of other assets or groups of assets ("cash-generating units"). Assets generating cash flows themselves are tested individually.

If the carrying amount exceeds the estimated recoverable value of assets or cash-generating units to which these assets belong, then the carrying value is reduced to the level of recoverable value. The recoverable amount corresponds to the higher of the following two values: fair value less costs to sell or value in use. When determining value in use, the estimated future cash flows are discounted to the present value using a discount rate that reflects current market assessments of the time value of money and the risk associated with the given asset.

The amount of the write-down proportionally reduces the carrying amount of the assets entering the cash-generating unit. Impairment losses are recognized in the income statement as other operating expenses.

For subsequent balance sheet days, premises indicating the possibility of reversing revaluation write-offs are assessed. Reversal of write-down shall be accounted for in the profit and loss account as other operating income.

4.3. Financial assets

Classification of financial assets
Financial assets are classified into the following valuation categories:
• measured at amortized cost,
• measured at fair value through profit or loss,
• measured at fair value through other comprehensive income.

An entity classify a financial asset based on the entity's business model for managing financial assets and the characteristics of contractual cash flows for the financial asset (SPPI criterion). An entity reclassify investments in debt instruments if and only if the asset management model is changing.

Valuation at initial recognition
With the exception of certain trade receivables, upon initial recognition, an entity measures a financial asset at its fair value, which for financial assets not at fair value through profit or loss is increased by transaction costs that can be directly attributed to the acquisition of those financial assets.

Derecognition
Financial assets are excluded from the books of accounts when:
• the rights to obtain cash flows from financial assets have expired, or
• the rights to obtain cash flows from financial assets have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Valuation after initial recognition
For the purpose of valuation after initial recognition, financial assets are classified into one of four categories:
• debt instruments valued at amortized cost,
• debt instruments measured at fair value through other comprehensive income,
• equity instruments measured at fair value through other comprehensive income,
• financial assets measured at fair value through profit or loss.

Debt instruments - financial assets measured at amortized cost
A financial asset is measured at amortized cost if both of the following conditions are met:
(a) the financial asset is held in accordance with a business model whose purpose is to hold financial assets for obtaining contractual cash flows, and
(b) the terms of the contract relating to the financial asset give rise to cash flows on certain dates that are only repayment of principal and interest on the principal amount outstanding.

The company classifies into the category of financial assets measured at amortized cost:
• trade receivables,
• loans granted that meet the SPPI classification test and which, according to the business model, are shown as held to obtain cash flows,
• cash and cash equivalents.

Interest income is calculated using the effective interest method and is reported in the statement of comprehensive income under 'Interest income'.

Debt instruments - financial assets at fair value through other total income
A financial asset is measured at fair value through other comprehensive income, if both of the following conditions are met:
(a) the financial asset is held in accordance with a business model whose purpose is both to receive contractual cash flows and to sell financial assets; and
(b) the terms of the contract relating to the financial asset give rise to cash flows on certain dates that are only repayment of principal and interest on the principal amount outstanding.
Interest income, exchange rate differences and impairment gains and losses are recognized in profit or loss and calculated in the same way as for financial assets measured at amortized cost. Other changes in fair value are recognized in other total income. When the financial asset is discontinued, the total profit or loss previously recognized in other total income is reclassified from equity to profit or loss.

Equity instruments - financial assets at fair value through other comprehensive income
At initial recognition, the Company may make an irrevocable choice to recognize subsequent changes in the fair value of an investment in an equity instrument that is not held for trading or is not a conditional consideration recognized by the acquirer in a business combination to which IFRS 3 applies in other comprehensive income. Such selection is made separately for each equity instrument. Accumulated gains or losses previously recognized in other total income are not reclassified to profit or loss. Dividends are recognized in the statement of total income when the entity's entitlement to receive dividends arises, unless those dividends are obviously recovering part of the investment costs.

Financial assets at fair value through profit or loss
Financial assets that are not measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Profit or loss on the measurement of these assets at fair value is recognized in profit or loss.
Dividends are accounted for in the statement of comprehensive income when an entity is entitled to receive a dividend.

4.3.1. Impairment of financial assets

The Company shall assess expected credit losses (ECL) related to debt instruments measured at amortized cost and fair value through other comprehensive income, regardless of whether there is any evidence of impairment.
For trade receivables, the Company apply a simplified approach in calculating ECLs and measures the write-down on expected credit losses in an amount equal to the expected credit losses over the entire lifetime using a provision matrix. The Company uses its historical data on credit losses, adjusted, where appropriate, by the impact of future information.
In the case of other financial assets, the Company measures the write-down on expected loan losses in the amount equal to 12-month expected loan losses. If the credit risk associated with a given financial instrument has increased significantly since initial recognition, the Company measures the write-off on expected credit loss on the financial instrument in an amount equal to the expected loan loss throughout its life.

4.4. Cash and cash equivalents

Cash and cash equivalents, including short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

The balance of cash and cash equivalents disclosed in the statement of cash flows consists of the above-mentioned cash and cash equivalents, less outstanding loans in current accounts.

4.5. Equity capital

The share capital is included in the amount specified in the Company's agreement and entered in the court register and is disclosed in the nominal value of shares.
Capital reserves is included in the amount specified in the articles of association.
Retained earnings include profits and losses from previous years and the financial result of the current period.

4.6. Financial liabilities

Financial liabilities, including loans received, are recognized if and only if the Company becomes a party to the contract.
A financial liability component shall be excluded if and only if the obligation specified in the contract has been fulfilled, canceled or has expired.

At the moment of initial recognition, liabilities are measured at fair value plus transaction costs. After initial recognition, liabilities are measured at amortized cost using the effective interest rate method. Interest expenses are recognized in financial expenses using the effective interest rate, except for current liabilities, for which recognition of interest would be immaterial.
Liabilities are classified as current, unless the Company has the unconditional right to postpone the liability's due date by at least 12 months from the end of the reporting period.

4.7. Revenues

The Company applies IFRS 15 Revenue from contracts with clients to all contracts with clients, except leasing contracts within the scope of IFRS 16 Leases, financial instruments and other contractual rights or obligations falling under the scope of IFRS 9 Financial instruments, IFRS 10 Consolidated financial statements, IFRS 11 Joint arrangements contractual, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

The basic principle of IFRS 15 is to recognize revenue at the time of the transfer of goods and services to the customer at a value that reflects the price expected by the entity in exchange for the transfer of those goods and services.

In order to determine the transaction price, the Company takes into account the terms of the contract and its usual commercial practices. The transaction price is the amount of remuneration which, as expected by the Company, it will be entitled in exchange for the transfer of promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, certain sales taxes). The remuneration specified in the contract with the client may include fixed amounts, variable amounts or both.

Revenues are recognized to the extent that it is probable that the Company will obtain economic benefits that can be reliably measured.

Revenues from the sale of electricity are recognized in the period in which it was produced.

Revenues from green certificates are recognized in the period in which electricity was generated in renewable energy sources, entitling to obtain certificates.

The estimated date of completion of the investment phase and transition to the production phase is estimated for period October 2020 - February 2021.

Interest income is recognized taking into account the effective interest rate.

4.8. Operating expenses

The main categories of operating costs recognized for the company include legal, accounting and auditing services, property taxes, salaries, office rent and easement costs. Other operating expenses include donations, damages and impairment losses for non-financial assets.

4.9. Transactions in foreign currencies

Economic operations denominated in foreign currencies are recognized in the accounting books in Polish Złoty according to the exchange rate applicable on the day of the transaction, i.e. according to the exchange rate actually used on that day, resulting from the nature of the operation or according to the average exchange rate announced for a given currency by the National Bank of Poland from the day preceding transaction day. Expenditure of cash and other investment components is measured at average prices, i.e. determined at the weighted average of the prices of the given asset.
Monetary assets and liabilities denominated in foreign currencies are translated to Polish Złoty at the functional currency spot rates given by the National Bank of Poland of exchange at the reporting date. The following exchange rates were used:

	31 December 2020	31 December 2019
EUR	4,6148	4,2585

4.10. Operating leasing at the lessee's

At the conclusion of the contract, the company assesses whether the contract is a lease or contains a lease. The contract is a lease or contains a lease if it delegates the right to control the use of the identified asset for a given period in exchange for remuneration.
The company applies a uniform approach to the recognition and measurement of all leases, except for short-term leases and leasing of low-value assets. At the date of commencement of the lease, the Company recognizes an asset under the right to use and a liability under the lease.

Right-of-use assets
The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future

payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leasing and leasing of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

4.11. Current and deferred income tax

Income tax disclosed in the profit and loss account includes the current and deferred portion.
Current income tax liability is calculated in accordance with tax regulations. The deferred part disclosed in the profit and loss account is the difference between the balance of reserves and deferred tax assets at the end and at the beginning of the reporting period.

Deferred tax is recognized in connection with temporary differences between the tax value of assets and liabilities and their value disclosed in the financial statements, as well as in relation to unused tax losses. The amount of deferred tax is determined taking into account the tax rates in force in the year when the tax obligation arose, on the basis of tax regulations in force at the end of the reporting period.

The value of deferred tax assets is subject to verification as at the day ending the reporting period. The deferred tax assets are reduced to the extent that it is not probable that sufficient taxable income will be available to realize those assets.

The reserve and assets due to deferred income tax regarding operations settled with equity are referred to equity.

Assets due to deferred income tax are determined in the amount provided for in the future to be deducted from income tax, in connection with negative temporary differences and deductible tax loss, determined taking into account the precautionary principle.

The provision for deferred income tax is created in the amount of income tax payable in the future due to the occurrence of positive temporary differences, i.e. differences that will increase the basis for calculating income tax in the future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The reserve and assets due to deferred income tax are offset for the purposes of presentation in the financial statements. Income tax recognized in the income statement includes the current and deferred portion.

Deferred income tax assets are determined in the amount expected to be deducted from income tax in the future, due to negative temporary differences and deductible tax loss, determined taking into account the precautionary principle.

The amount of the provision and assets due to deferred income tax is determined taking into account the income tax rates in force in the year when the tax obligation arose, taking into account the tax regulations in force as at the balance sheet date.

The reserve and assets due to deferred income tax are offset for the purposes of presentation in the financial statements.

Uncertainty associated with the recognition of income tax

If, in the Company's opinion, it is likely that the Company's approach to a tax issue or group of tax issues will be accepted by the tax authority, the Company determines taxable income (tax loss), tax base, unused tax losses, unused tax credits and tax rates taking into account the approach to taxation planned or applied in your tax return. Assessing this probability, the Company assumes that the tax authorities authorized to inspect and challenge the manner of tax treatment will carry out such an inspection and will have access to all information.

If the Company determines that it is not probable that the tax authority will accept the Company's approach to a tax issue or group of tax issues, then the Company reflects the effects of uncertainty in accounting terms of tax in the period in which it determined it. The Company recognizes an income tax liability using one of the following two methods, depending on which of them better reflects the way in which uncertainty can materialize:
• The company determines the most likely scenario - this is a single amount among the possible results or
• The company recognizes the expected value - it is the sum of probability weighted amounts among the possible results.

Tax settlements and other areas of activity (e.g. customs or foreign exchange issues) may be subject to control by authorities that are entitled to impose high fines and fines, and any additional tax obligations resulting from the control must be paid together with high interest. These conditions mean that the tax risk in Poland is greater than in countries with a more mature tax system.

Consequently, the amounts presented and disclosed in the financial statements may change in the future as a result of the final decision of the tax inspection authority.
On July 15, 2016, the Tax Code was amended to take into account the provisions of the General Fraud Prevention Clause (GAAR). GAAR is to prevent the emergence and use of artificial legal structures created to avoid payment of tax in Poland. GAAR defines tax avoidance as an act performed primarily to achieve a tax benefit, which is in conflict with the subject and purpose of the provisions of the Tax Act. According to GAAR, such an action does not result in a tax benefit if the method of operation was artificial. Any occurrence of (i) unjustified division of operations, (ii) the involvement of intermediaries despite the lack of economic or economic justification, (iii) elements that mutually abolish or compensate each other, and (iv) other activities similar to those previously mentioned may be treated as a premise for existence artificial activities subject to GAAR. The new regulations will require much more judgment when assessing the tax consequences of individual transactions.

The GAAR clause should be applied to transactions made after its entry into force and to transactions that were carried out before the GAAR clause entered into force, but for which benefits were or are still being achieved after the date of entry into force of the clause. The implementation of the above provisions will enable Polish tax inspection authorities to question the legal arrangements and agreements implemented by taxpayers, such as the restructuring and reorganization of the group.
The Company recognizes and measures current or deferred income tax assets or liabilities using the requirements of IAS 12 Income tax based on profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates, taking into account the uncertainty associated with settlements tax.

When there is uncertainty as to whether and to what extent the tax authority will accept individual tax settlements of transactions, the Company recognizes these settlements taking into account the assessment of uncertainty.

4.12. Subjective assessments of the Company's Management Board and uncertainty of estimates and assumptions

During the preparation of the financial statements in accordance with IFRS, the Management Board of the Company makes subjective assessments, estimates and assumptions that may affect the accounting principles (policy) as well as the values of assets and liabilities recognized in the financial statements. When preparing these financial statements, the Management Board of the Company made subjective assessments, estimates and assumptions regarding potential events that would pose a risk of causing significant adjustments to the carrying amounts of assets and liabilities during the next reporting period. Information on estimates and assumptions made that are significant to the financial statements is presented in the next sections of the financial statements.

Regulations regarding value added tax, corporate income tax and social security charges are subject to frequent changes. These frequent changes result in a lack of appropriate benchmarks, inconsistent interpretations, and few precedents established that could apply. The binding provisions also contain ambiguities that cause differences in opinions as to the legal interpretation of tax regulations, both between state authorities as well as state authorities and enterprises.

4.13. Comparability of financial data for the preceding year with the financial statements

In the reporting year, the Company was not obliged to present comparable data for year 2018.

4.14. The format of the cash flow statement

The cash flow statement is prepared using the indirect method.

4.15. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a gross current rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

4.16. Receivables

An entity always measures the write-down on expected credit loss in an amount equal to the expected life-cycle credit loss on account of:

a) trade receivables or assets under contracts arising from transactions that are within the scope of IFRS 15 and which:
(i) they do not contain a significant financing component (or when the entity applies a practical solution to contracts that have been in force for a maximum of one year) in accordance with IFRS 15; or
(ii) they contain a significant component of financing in accordance with IFRS 15, if the entity selects as the accounting basis the valuation of an allowance for expected credit losses in an amount equal to the expected loan losses in the entire lifetime. This accounting policy applies to all such trade receivables or contract assets but may be applied separately to trade receivables and contract assets.

An entity shall measure expected credit losses on financial instruments in a manner that includes:

a) an unencumbered and weighted probability amount that is determined by assessing a range of possible outcomes;
b) time value of money; and
c) rational and documentable information that is available without undue cost or effort as at the reporting date regarding past events, current conditions and forecasts of future economic conditions.

4.17. Interest-bearing loans and borrowings

At initial recognition, all loans are recognized at fair value, less costs associated with obtaining the loan. After initial recognition, interest-bearing loans are measured at amortized cost using the effective interest rate method. When determining the amortized cost, account is taken of the costs associated with obtaining the loan and discounts or premiums obtained in connection with the liability. Income and expenses are recognized in the income statement when the liability is removed from the balance sheet, and as a result of settlement using the effective interest rate method.

4.18. Borrowing costs

Borrowing costs are capitalized as part of the cost of producing of non-current assets. Borrowing costs consist of interest calculated using the effective interest rate method, financial charges due to financial leasing contracts and exchange rate differences arising in connection with external financing up to the amount corresponding to the adjustment of the cost of interest.

4.19. Liabilities

Short-term liabilities due to deliveries and services are shown in the amount requiring payment.
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities initially classified as at fair value through profit or loss. Financial liabilities are classified as held for trading if they were acquired for sale in the near future. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are recognized as effective hedging instruments.
As at December 31, 2020, no financial liabilities were classified as at fair value through profit or loss (as at December 31, 2019: zero). Financial liabilities measured at fair value through profit or loss are measured at fair value, taking into account their market value as at the balance sheet date, excluding sales transaction costs. Changes in the fair value of these instruments are recognized in profit or loss as financial costs or revenues, except for changes due to own credit risk for financial liabilities initially classified as at fair value through profit or loss, which is recognized in other total income.
Other financial liabilities that are not financial instruments at fair value through profit or loss are measured at amortized cost using the effective interest method.
The company excludes from its balance sheet a financial liability when the liability has expired - that is, when the obligation specified in the contract has been fulfilled, canceled or has expired.
Other non-financial liabilities include, in particular, liabilities to the tax office due to value added tax and liabilities due to advance payments received, which will be settled by the delivery of goods, services or non-current assets. Other non-financial liabilities are recognized at the amount requiring payment.

4.20. Employee benefits

In accordance with the Company's remuneration systems, the Company's employees are entitled to jubilee awards and retirement severance pays. Jubilee bonuses are paid to employees after working for a specified number of years. Retirement severance payments are paid once, upon retirement. The amount of retirement severance pays and jubilee awards depends on the seniority and average remuneration of the employee. The company creates a provision for future liabilities due to retirement severance pays and jubilee awards in order to assign costs to the periods they refer to. According to IAS 19, jubilee bonuses are other long-term employee benefits, while retirement severance pays are programs of specific post-employment benefits. Accrued liabilities are equal to discounted payments that will be made in the future, taking into account employment rotation, and relate to the period to the balance sheet date.
Demographic information and information on employment rotation are based on historical data.

Re-measurement of employee benefit obligations related to defined benefit plans, including actuarial gains and losses, is recognized in other total income and is not subsequently reclassified to profit or loss.

The Company recognizes the following changes in net liabilities due to specific benefits as part of cost of sales, overheads and selling costs, respectively, which include:
• employment costs (including, but not limited to, current employment costs, past employment costs),
• net interest on the net liability for defined benefits.

5. Non-current Assets

	31 December 2020	31 December 2019
Non-current assets under construction	452 850 745	98 796 463
Right-of-use assets	56 462 414	41 213 120
Total	**509 313 159**	**140 009 583**

5.1. Non-current assets under construction

5.1.1. Year ended 31 December 2019

	Motor vehicles	Engineering buildings and facilities	Non-current assets under construction	Total
Carrying amount as at 31 December 2018	-	-	16 397 079	16 397 079
Additions	-	-	82 399 384	82 399 384
Carrying amount as at 31 December 2019	**-**	**-**	**98 796 463**	**98 796 463**

In July 2019, after receiving the construction permit for the Wind Farm, the Company entered into investment phase, therefore, in the financial year the following capital expenditure was incurred: construction service: PLN 17 073 thousand. PLN, investor's supervision: 517 thousand PLN, wind turbines: 46 755 thousand PLN and installations PLN 12 000 thousand and power plant project PLN 3.2 million. Other expenditure amounted to PLN 18 million 38 thousand.

5.1.2. Year ended 31 December 2020

	Motor vehicles	Engineering buildings and facilities	Non-currentassets under construction	Total
Carrying amount as at 31 December 2019	-	-	98 796 463	98 796 463
Additions	-	-	354 054 282	354 054 282
Carrying amount as at 31 December 2020	**-**	**-**	**452 850 745**	**452 850 745**

As of December 31, 2020 the Company incurred capital expenditure on the following wind farm elements: wind turbine elements in the amount of PLN 244 337 thousand, construction services in the amount of PLN 83 631 thousand, construction supervision in the amount of PLN 746 thousand, construction of a reactive power compensation system in the amount of PLN 3 113 thousand. Borrowing costs allocated to capital expenditure in 2020 amounted to PLN 6 282 thousand which includes interest and commissions. The valuation of employee costs recognized as wind farm construction costs amounted to PLN 502 thousand. The Company incurred expenditure on road constructions and repairs - PLN 12 200 thousand. Other capital expenditure amounted to PLN 3 243 thousand.

5.2. Right-of-use assets

5.2.1. Year ended 31 December 2019

	Motor vehicles	Long-term rental	Total
Gross value			
Opening balance		-	-
Increase in value	82 679	41 130 442	41 213 120
Decrease in value	-		
Carrying amount as at 31 December 2019	**82 679**	**41 130 442**	**41 213 120**

5.2.2. Year ended 31 December 2020

	Motor vehicles	Long-term rental	Total
Gross value			
Opening balance	82 679	41 130 442	41 213 120
Increase in value including:	25 166	17 113 547	17 138 713
new agreements	25 166	15 352 254	15 377 420
resulting from a change in the method of calculating future interest		1 761 293	1 761 293
Decrease in value	-		
Closing balance	**107 845**	**58 243 989**	**58 351 834**
Redemption of non-current assets			
Opening balance		-	-
Depreciation for the period	(25 933)	(1 863 487)	(1 889 420)
Closing balance	**(25 933)**	**(1 863 487)**	**(1 889 420)**
The net value			
Opening balance	82 679	41 130 442	41 213 120
Closing balance	**81 912**	**56 380 502**	**56 462 414**

5.2.3. Specification of the contract types as of 31 December 2020

Creditor	Assets	Duration of the contracts	Interest rate	Long-term liabilities	Short-term liabilities
Land lease from natural persons	33 924 811	03.2049	2,80%	35 150 339	492 729
Land easement from natural persons	12 765 869	2050/2051	2,80%	13 404 334	(279 196)
Motor vehicles	81 912	09.2021-09.2023	1,5-1,6%	57 406	17 487
Land easement from natural persons - prepaid	3 403 247	2050/2051	-	-	-
Lease of land from the State Treasury	6 286 575	2045	2,80%	5 894 593	170 479
Total	**56 462 414**			**54 506 672**	**401 499**

6. Non-current receivables

	31 December 2020	31 December 2019
Deposit to URE	-	6 264 000

The Management Board of the Company anticipates that the production of electricity will start in the second quarter of 2021, and therefore the deposit for URE will be returned in the second quarter of 2021 as well. Due to the expected date of return, the deposit paid to the URE was reclassified as current receivables.

7. Investment property

The Company does not own any investment property.

8. Financial assets at fair value through other comprehensive income

The Company does not have financial assets measured at fair value through other comprehensive income.

9. Trade and other receivables

Specification	31 December 2020	31 December 2019
Prepayments	6 305 126	32 000
Other receivables	18 162	59 743
VAT receivable	63 531 373	18 671 842
Total	**69 854 661**	**18 763 585**

Short term deposits	31 December 2020	31 December 2019
Deposit for URE (auction deposit)	6 264 000	-
Deposit PKP S.A.	8 000	4 000
Deposit Agricultural Property Agency	28 000	28 000
Other deposits	5 126	-
Total	**6 305 126**	**32 000**

The Management Board of the Company assumes that the URE deposit will be returned by the end of June 30, 2021. Due to their nature, the deposit paid to the URE has been reclassified as current receivables. In 2019, the deposit was presented as non-current receivables.

As at December 31, 2020, the Company had VAT receivables in the amount of PLN 63 531 thousand. Receivables resulting from surplus of input tax as a result of purchases are shown by the Company for reimbursement within 180 days. In the financial year of 2019 and 2020, the returns processed by the Tax Office were done without significant delays. It is anticipated that reported VAT receivables as of 31 December 2020 will be returned to the Company by end of July, 2021. The Management Board does not anticipate a risk that Tax Office might challenge VAT settlement procedures for the reported VAT receivables.

10. Cash and cash equivalents

Cash equivalents include:

	31 December 2020	31 December 2019
Cash at the bank	31 432 178	28 398 740
Total	**31 432 178**	**28 398 740**

Currency structure:	31 December 2020
cash in PLN	29 706 973
cash in EUR	373 504

Structure of cash balances by banks	31 December 2020
SEB (Poland)	27 528 392
Alior Bank	3 903 786

All cash presented in the financial statements are held in the banks accounts. The Company does not have any deponed or restricted cash as of 31 December 2020. .

11. Share capital

The Company's share capital amounted to PLN 44,500 and is divided into 890 shares with a nominal value of PLN 50 each. The shares have been fully paid up and give equal voting and dividend right.
On 10 March 2020 the Company concluded an agreement with the European Investment Bank (hereinafter “EIB”) for PLN 258 000 thousand (EUR 56 400 thousand) loan for the implementation of its wind farm project. As at 31 December 2020 the loan was fully disbursed. Under this loan agreement all shares for a 100% of the Company were pledged to the EIB. The date of loan repayment is 31 December 2035.

On 14 October 2020 the Company signed an agreement with the Nordic Investment Bank (hereinafter “NIB”) for the loan of up to PLN 150 000 thousand (EUR 32 900 thousand) for the implementation of the Pomerania wind farm project which is being developed in Poland. As at 31 December 2020 the loan was fully disbursed. Under this loan agreement all shares for a 100% of the Group’s subsidiary Pomerania Wind Farm Sp. z o. o. were secondary pledged to the NIB. The date of loan repayment is 31 December 2035.

Shareholders	Number of shares	Nominal value (in PLN)
UAB "IGNITIS RENEWABLES"	890	44 500
Total	**890**	**44 500**

On July 3, 2019, according to the agreement concluded on May 27, 2019, the Company changed its sole shareholder. The former owner Invall Green Energy s.l. sold shares to Lietuvos Energija Renewables UAB. on UAB Lietuvos Energija Renewables changed illegal name to UAB Ignitis Renewabeles on October 15, 2019.

According to the notarial deed announced on November 4, 2019, the Company's share capital was increased by issuing new 790 shares of PLN 50 each. The share capital was contributed through the conversion of a loan of PLN 25 400 and by cash payments in the amount of PLN 14 100. In total, the share capital was increased by PLN 39 500.

The table below presents capital movements per financial year of 2019.

Capitals	Cash payment	Loan UAB Ignitis Renewables	consolidation Loan Agreement (EUR)	consolidation Loan Agreement (PLN)	Total
Shares	14 100	25 400	-	-	39 500
Share premium	55 056 834	68 161 800	20 430 599	10 400 767	154 050 000
Total	**55 070 934**	**68 187 200**	**20 430 599**	**10 400 767**	**154 089 500**

12. Share premium

	31 December 2020	31 December 2019
Carrying amount	154 050 000	0
Additions		
Cash payments	0	55 056 834
Conversion of the loan	**0**	98 993 166
Reductions		
resolution of the OGM on covering the loss from 2019	**(940 959)**	0
Closing balance	**153 109 041**	**154 050 000**

13. Retained earnings and Management Board proposal

Retained earnings include:

	31 December 2020	31 December 2019
Retained earnings	(5 587 628)	(5 589 833)
Current year profit/ (loss)	(5 187 185)	(938 754)
Total	(10 774 813)	(6 528 587)

The Management Board of the Company proposes to cover the loss with profits from future years. The loss incurred for 2019 was covered from share premium.

14. Interest-bearing loans and borrowings

14.1. Interest-bearing loans and borrowings from shareholder

Year ended 31 December 2019

	up to 1 year	over 1 year
Interest payable for the loans from UAB Ignitis renewables	1 327 626	0,00
Total	1 327 626	0,00

Year ended 31 December 2020

	up to 1 year	over 1 year
Interest payable for the loans from UAB Ignitis renewables	2 234 355	0,00
Total	2 234 355	**0,00**

The loans received from UAB Ignitis Renewables have been fully repaid by 31 December 2020.

Shareholder loans movement for 2019		
	Invall Green Energy SL	UAB "Ignitis Renewables"
Carrying amount as of 31 December 2018	30 034 492	-
Additions	-	79 006 800
consolidation	(30 034 492)	30 034 492
FX differences	-	866 387
conversion into shareholders capital	-	(99 181 179)
accrued interest	-	1 328 842
repayment	-	(10 698 000)
balance sheet valuation	-	(29 716)
Carrying amount as of 31 December 2019	**-**	**1 327 626**

The consolidation of loan took place on the basis of the Consolidation Loans Agreement dated on October 28, 2019 and concluded between UAB Ignitis Renewables and Pomerania Wind Farm Sp. z o.o. On November 4, 2019, the loan from the shareholder was converted into reserve capitals in the amount of PLN 98,993,166 and into share capital in the amount of PLN 25,400.

Shareholder loans movement for 2020	
	UAB "Ignitis Renewables"
Carrying amount as of 31 December 2019	1 327 626
Additions	130 264 350
consolidation	-
FX differences	765 404
conversion into shareholders capital	-
accrued interest	789 975
repayment	(130 913 000)
balance sheet valuation	-
Carrying amount as of 31 December 2020	**2 234 355**

The interest rate on shareholder loans was fixed at 2.8% per an annual basis.

14.2 Bank loans received

On March 9, 2020, the Management Board of the Company decided to obtain the bank support in financing the investment. For this purpose, the Company signed an agreement with the European Investment Bank for a loan for the amount of PLN 258 000 thousand. Furthermore, on November 14, the Company signed an agreement with the Nordic Investment Bank to grant a loan of PLN 150 000 thousand. Loan collaterals are disclosed in Note 34.

Creditor	Duration of the contract	type of interest	interest	long-term commitment	short-term commitment	interest paid in 2020
European Investment Bank	31.12.2035	Fixed	1,82%	253 484 741	4 409 082	3 073 000
Nordic Investment Bank	31.12.2035	Fixed	2,39%	147 039 354	2 109 941	1 174 500
Total				400 524 095	6 519 023	4 247 500

Aging of obligations	up to 1 year	2-5 years	over 5 years	Total
European Investment Bank	4 409 082	16 907 192	236 577 549	257 893 823
Nordic Investment Bank	2 109 941	9 796 796	137 242 558	149 149 295
Total	6 519 023	26 703 988	373 820 107	407 043 118

15. Remuneration related provisions

From the provisions of employment contracts, the Company envisages annual bonuses in the event of achieving project related and individual targets.
As at the balance sheet date, the Company established provisions in the amount of PLN 115 146. The expected date for the implementation of the bonuses is the 1st and 2nd quarter of 2021.

16. Trade and other payables

	31 December 2020	31 December 2019
Trade and other payables to related parties	930 612	157 008
Trade and other payables to non-related parties	4 745 343	6 779 670
Tax and social security liabilities	48 111	36 721
Remuneration related payables	50 789	21 980
Total	**5 774 855**	**6 995 379**

17. Sales revenue

In the reporting year, the Company is in the investment phase and has not generated revenues from the sale of products and services and does not have operating segments.

18. Other operating income

	Year ended 31 December 2020	Year ended 31 December 2019
Other revenues	50	602
Total	**50**	**602**

19. Operating expenses

19.1. Costs by type

	Year ended 31 December 2020	Year ended 31 December 2019
Depreciation and amortization of right-of-use assets	(1 889 420)	-
Utility and similar expenses.	(27 954)	(23 782)
Consultations and other service	(1 327 269)	(579 999)
Taxes and fees	(406 602)	(44 302)
Wages and salaries	(294 920)	(28 800)
Social security and other benefits	(65 652)	(5 905)
Other costs by type	(218 115)	(44 609)
Total	**(4 229 932)**	**(727 397)**

19.2. Employee benefits costs

	Year ended 31 December 2020	Year ended 31 December 2019
Remuneration as to employment contracts	(179 773)	(28 800)
Bonuses	(115 147)	-
Total	**(294 920)**	**(28 800)**

19.3. Other operating costs

	Year ended 31 December 2020	Year ended 31 December 2019
Other operating cost	(1 045)	(1)
Total	**(1 045)**	**(1)**

20. Net financial income

20.1. Financial costs

	Year ended 31 December 2020	Year ended 31 December 2019
Interest on loans and other	(7 511)	(1 391)
Foreign currency differences	(2 174 890)	(325 746)
Total	**(2 182 401)**	**(327 137)**

Exchange differences	Year ended 31 December 2020	Year ended 31 December 2019
Unrealized	35 003	495 711
Realized	(2 209 893)	(821 457)
Total	**(2 174 890)**	**(325 746)**

20.2. Financial income

There were no financial revenues in the reporting year.

21. Other income

There were no other comprehensive income in the reporting period.

22. Leasing Company as a lessee

The Group decided to implement the standard on January 1st , 2019. In accordance with the transitional provisions of IFRS 16.C5 (b), the new rules were adopted retrospectively with the cumulative effect of the initial application of the new standard applied to equity as at January 1, 2019, therefore, comparative data for the financial year 2018 has not been restated (simplified retrospective approach).

The Company is a party of the agreements under which it leases land for a period of 30 years. Agreements are classified as operating lease. The Company is not able to purchase the leased assets after the end of the contracts. The rents are denominated in both PLN and EUR, and the agreements contain clauses of annual indexation of rents according to the consumer price index.

22.1. Recognition of lease liabilities

As at the date of adopting IAS, the Company had indisputable obligations under concluded long-term contracts for the lease of land and easements: transit easement, land easement and air easement. Due to the nature of the concluded contracts, assets recognized in connection with the calculation of the right to use occurs at the beginning of the construction and use of works that did not take place by July 1st , 2019. The Company adopts this date as the date of recognition of the asset under 20lease contracts and about 85 easement contracts.

For the purposes of calculating the value of assets and liabilities arising from leases recognized under IFRS 16, discounting was applied using the incremental borrowing rate.

As of July 1, 2019, the discount rates calculated by the Company were in the range (depending on the duration of the contract): from 1.2% to 2.8%. In 2020, the discount rates calculated by the Company were in the range (depending on the duration of the contract): from 1.5% to 2.8%

The Company has not used the simplifications regarding current leases (up to 12 months) and leases for which the underlying asset is of low value (up to PLN 20,000).

22.2. Increases in right-of-use assets

As at January 1, 2020, the Company had an irrevocable operating lease obligation related to land lease agreements. As at December 31, 2019, the Company recognized assets in the amount of PLN 33 742 thousand PLN.

In the financial year 2020, the Company signed new lease contracts, from which assets were recognized for a total value of PLN 8 849 thousand. Additionally, an asset under the agreement with KOWR in the amount of PLN 6 503 thousand was recognized.

As of January 1, 2020, the Management Board of the Company decided to recalculate the value of right to use assets and liabilities. As a result of the recalculation, the following balance sheet components were disclosed:

Assets:	31.12.2019	value adjusted 31.12.2019	new agreement	value recalculation	31.12.2020
ROU rent	27 185 334	7 470 859	6 503 354	131 548	41 291 131
ROU servitude	6 474 248	-	8 848 900	1 629 709	16 952 858
Total	33 659 582	7 470 859	15 352 254	1 761 293	58 243 989

Remission:	31.12.2019	value adjusted 31.12.2019	1.01-31.12.2020	31.12.2020	Net value 31.12.2020
ROU rent	-	-	1 290 348	1 290 348	40 000 783
ROU servitude	-	-	573 139	573 139	16 379 718
Total	-	-	1 863 487	1 863 487	56 380 501

22.3. Impact on the financial result

	Year ended 31 December 2020	Year ended 31 December 2019
Amortization of the right-of-use asset	1 889 420	-
Interest costs on lease liabilities	-	-
Low-value asset lease costs	-	-
Variable lease payments not included in the measurement of lease liabilities	128 710	-
Total amount recognized in the profit and loss account	2 018 130	-

22.4. Lease liabilities (IFRS 16)

	Year ended 31 December 2020	Year ended 31 December 2019
Non-current lease liabilities	54 506 672	37 861 800
Current lease liabilities	401 499	198 274
Total	**54 908 171**	**38 060 075**

The total outflow of cash from leases in 2020 amounted to PLN 1 311 thousand.

22.5. Aging of lease liabilities (IFRS 16)

	Up to 1 year	2-5 years	over 5 years	Total
Liabilities arising from the implementation of IFRS 16	1 178 702	9 856 025	71 358 952	82 393 678
Future interest	(2 023 953)	(4 085 884)	(21 375 670)	(27 485 507)
Total	**(845 251)**	**5 770 141**	**49 983 281**	**54 908 171**

22.6. Data restated

In 2020, the Management Board of the Company decided to recalculate the value of right of use assets and liabilities. The note below presents comparative data affecting the individual items of property components as at December 31, 2019.

Right-of-use Assets:	Year ended 31 December 2019 (Approved FS)	value adjusted	Year ended 31 December 2019 (FS restated)
lease of land	27 185 334	7 470 859	34 656 193
lease of land (servitude)	6 474 248	-	6 474 248
motor vehicles	82 679	-	82 679
Total	33 742 261	7 470 859	41 213 120

Lease liabilities	Year ended 31 December 2019 (Approved FS)	value adjusted	Year ended 31 December 2019 (FS restated)
lease of land	30 390 941	7 470 859	37 861 800
lease of land (servitude)	198 275	-	198 275
motor vehicles	82 679	-	82 679
Total	30 671 895	7 470 859	38 671 895

23. Income tax

23.1. Reconciliation of gross profit (loss) to the taxable base for income tax.

in PLN

	Year ended 31st December 2020	Year ended 31st December 2019
Profit (loss) before tax	**(6 413 328)**	**(1 053 933)**
including: capital gains	-	-
Amounts that increase the tax base		
other costs	3 038	360 700
social security contributions costs	-	5 905
audit and accounting services costs	11 149	77 322
non-tax deductible depreciation	1 760 710	-
lease payments (related to IFRS 16)	(1 094 807)	-
foreign exchange differences increasing the tax value of the wind farm	2 133 938	-
Road contract	(10 000 000)	-
unrealized exchange rate differences	35 003	495 711
Total	**(7 150 969)**	**585 944**
Taxable income	**(13 564 297)**	**(467 990)**
Investment relief	-	-
Donations	-	-
Utilization of tax losses from previous years	-	-
Tax base	**(13 564 297)**	**(467 990)**
Income tax	**-**	**-**

23.2. Deferred income tax

	Year ended 31 December 2020	Year ended 31 December 2019
Negative temporary differences:		
easement initial fee	-	860 092
foreign exchange differences	-	449 219
audit costs and accounting services	74 804	77 322
reserve from IFRS's future obligations 16	54 908 171	37 977 395
depreciation and interest costs recognized in accordance with IFRS16	2 158 554	-
provision for employee benefits	115 147	-
Total	**57 256 676**	**39 364 028**
Tax loss for previous years	1 313 813	845 823
Settled part of tax loss		
Correction of the tax settlement for previous years	83 748	-
Tax loss from prior year	1 397 561	845 823
Tax loss current year	13 564 297	467 990
Total tax losses to be utilized in subsequent periods	**14 961 858**	**1 313 813**
Total deferred income tax assets	**13 721 521**	**7 728 790**
Positive temporary differences:		
Right of use	53 059 166	37 977 395
Road contract tax treatment	10 000 000	-
Total	**63 059 166**	**37 977 395**
Total deferred income tax liabilities	11 981 242	7 215 705
Compensation	(11 981 242)	(7 215 705)
Deferred income tax assets disclosed in the balance sheet	1 739 228	513 085
Reserve for deferred income shown in the balance sheet	0	
Net balance sheet conversion of deferred tax assets / reserves	1 227 195	112 974
The value of deferred tax recognized in equity during the period	0	0
Change in deferred tax recognized in the settlement account and losses	1 226 143	112 974

Due to the fee that the Company incurred under the contract with the Community in Sztum, the Management Board decided to consult the treatment of such fee under tax regulations as a tax expense on the date when such fee was incurred. Based on the opinion of the tax advisor, the Management Board is convinced in the correctness of treatment.

Tax settlements and other areas of activity that are subject to regulations (e.g. customs or foreign exchange matters) may be subject to inspection by administrative authorities, which are authorized to impose high penalties and sanctions. The lack of reference to established legal regulations in Poland results in the occurrence of ambiguities and inconsistencies in the applicable provisions. Frequent differences in opinions as to the legal interpretation of tax regulations, both within state authorities and between state authorities and enterprises, result in the emergence of areas of uncertainty and conflicts. Due to these phenomena, the tax risk in Poland is significantly higher than that usually existing in countries with a more developed tax system.

Tax settlements may be inspected for a period of five years, starting from the end of the year in which the tax was paid. As a result of the conducted inspections, the current tax settlements of the Company may be increased by additional tax liabilities. In the Company's opinion, as at December 31, 2020, adequate provisions were created for the identified and measurable tax risk.

23.3. Reconciliation of an effective tax rate

The reconciliation of income tax on gross profit / loss before tax using the applicable to tax rate, with income tax calculated at the Company's effective tax rate for the year ended December 31, 2020 and December 31, 2019 is as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Gross profit / (loss) before tax from continuing operations	**(6 413 328)**	**(1 053 933)**
Profit / (loss) before tax from discontinued operations		
Gross profit / (loss) before tax	**((6 413 328)**	**(1 053 933)**
Tax at the statutory tax rate applicable in Poland, 19% (2019: 19%)	(1 218 532)	(200 247)
Adjustments regarding current income tax from previous years	-	-
Unrecognized tax losses	-	-
Tax investment concessions	-	-
Use of previously unrecognized tax losses	-	-
Non-tax deductible costs (permanent difference)	22 050	11 286
Income not permanently taxable	0,00	0,00
Others permanent differences	(29 661)	75 987
Tax at an effective tax rate of -16,68% (2019:-10,7%)	1 226 143	112 974
Income tax (encumbrance) recognized in statement of profit or loss	1 226 143	112 974
Income tax attributable to discontinued operations	**-**	**-**

Remuneration, including remuneration from profit, paid or due to persons belonging to the Company's governing bodies
In the reporting period, remuneration of the Management Board amounted to PLN 24 000.

24. Transactions with related parties

Transactions with related entities carried out during the reporting period:

		Year ended 31 December 2020	Year ended 31 December 2019
Loans received	**UAB "Ignitis Renewables"**		
As at the beginning of the year		1 327 626	-
Calculation of interest		789 975	1 328 842
Loans received		130 264 350	99 506 912
Repayment of loans		(130 913 000)	(99 478 412)
Foreign exchange differences		765 404	(29 716)
Closing balance		**2 234 355**	**1 327 626**
Trade payables	**UAB "Ignitis Renewables"**		
Opening balance		59 235	-
increase		380 360	59 235
decrease		(159 674)	-
Closing balance		**279 921**	**59 235**
Financial result on mutual transactions			
costs		380 360	59 235
income		-	-
Trade payables	**UAB “Ignitis grupes paslaugu centras”**		
Opening balance		-	-
increase		255 780	-
decrease		(1 496)	-
Closing balance		**254 284**	**-**
Financial result on mutual transactions			
costs		247 764	-
income		-	-

Trade payables	**AB Ignitis grupe**		
Opening balance		-	-
increase		694 675	-
decrease		(378 367)	-
Closing balance		**316 308**	**-**
Financial result on mutual transactions			
capitalized costs		694 675	-
decrease		-	-
Trade payables	**Ignitis Polska Sp. z o. o.**		
Opening balance		**38 030**	-
increase		81 591	38 030
decrease		(39 521)	-
Closing balance		**80 100**	**38 030**
Financial result on mutual transactions			
costs		81 591	90 153
income		-	-

The terms of group loans are described in note 14.1.

The company did not enter into any transactions with related entities, apart from those indicated above.

25.1 Terms of transactions with related entities.

Transactions with related entities are carried out on an arm's length basis. It is subject to internal analysis. The entity also prepares documentation on transactions with related entities provided for by the provisions of the tax law.

26. Business risks estimated by the Management Board of the Company

The main financial instruments used by the Company include bank loans, leasing contracts, and cash. The main purpose of these financial instruments is to raise funds for the Company's operations. The Company also has other financial instruments, such as trade receivables and liabilities, which arise directly in the course of its business.

The main types of risk arising from the Company's financial instruments include interest rate risk, liquidity risk, currency risk and credit risk. The Management Board verify and agree the principles of managing each of these types of risk - these principles are briefly discussed below. The Company also monitors market price risk related to all its financial instruments.

26.1. Commodity price risk and currency risk

Currently, most of the transactions in the portfolio are denominated in PLN, so the Company has little currency risk related to its commercial activities. In the future, as the financing of investments with foreign currency capital increases, the Company will consider hedging the EUR / PLN exchange rate risk using standard currency instruments offered by banks.

26.2. Credit risk

Due to the fact that the company is in the investment phase, it does not have any receivables from the sale of products. At the same time, no trade credit was involved. Therefore, no trade credit risk assessment was performed.

With regard to other financial assets of the Company, such as cash and cash equivalents, investments in equity instruments and some derivative instruments, the Company's credit risk arises from the counterparty's inability to make payment, and the maximum exposure to this risk equals the carrying amount of these instruments.

26.3. Interest rate risk

Due to negative EURIBOR interest rates throughout the lifetime of the loan, a 10% change in deviations from the interest rate as at the balance sheet date will not change the cost of the loan throughout the period. The risk of changes in interest rates does not affect the financial result for the financial year 2020. The Management Board does not anticipate such impact in the next financial year.

26.4. Foreign exchange risk

The loan received from the shareholder is denominated in EUR. Some short-term trade payables also are denominated in EUR.

Exposure to exchange rate risk as at the current and previous balance sheet date:

	31 December 2020		31 December2019	
	EUR	PLN	EUR	PLN
Loans granted (+)	-	-	-	-
Loans received (-)	483 693	2 234 274	311 759	1 328 842
Total	**483 693**	**2 234 274**	**311 759**	**1 328 842**

The analysis of sensitivity of the financial result and total income in relation to liabilities expressed in EUR and fluctuations of EUR to PLN exchange rate are presented below. The sensitivity analysis assumes an increase or decrease of 10% in relation to the closing rate effective as at December 31st 2019.

	Year ended 31 December 2020		Year ended 31 December 2019	
	The increase in the rate by 10%	The decrease in the rate by 10%	The increase in the rate by 10%	The decrease in the rate by 10%
Loans granted (+)	-	-		-
Loans received (-)	221 087	(225 342)	134 000	(132 000)
Impact on the financial result and comprehensive income	**221 087**	**(225 342)**	**134 000**	**(132 000)**

26.5. Liquidity risk

The company monitors its risk of a shortage of funds using a liquidity planning tool. This tool takes into account maturities / maturities of both investments and financial assets (e.g. accounts receivable, other financial assets) and forecast cash flows from investing activities.

As described in note 2.3. As at December 31, 2020, the Management Board of the Company does not see any liquidity risk related to loans and borrowings, and trade liabilities are settled on an ongoing basis.

26.6. Maturity of liabilities

	not due	0-30 days	31-60 days	Over 60 days
Trade payables to related parties	96 927	234 349	246 873	352 462
Trade payables	2 207 008	832 322	1 701 624	4 388
Provisions for trade liabilities	-	-	-	-
Tax and social security liabilities	-	48 111	-	-
Unpaid salaries	50 789	-	-	-
Total	**2 353 754**	**1 114 782**	**1 948 497**	**356 850**

26.7. Currency structure of trade payables

	EUR	PLN
Trade payables	3 936	4 744 373
Trade payables to related parties	186 695	930 612

27. Events after the balance sheet date

As at the date of the financial statements, the Company is in the final investment phase. All the most important elements of the wind farm are already built and are awaiting connection to the power line and carrying out a trial run. The Management Board of the Company is of the opinion that the current situation related to the Covid-19 pandemic does not affect the Company's operations, including further delays in planned activities related to the launch of the wind farm provided for in the schedule of the last investment phase.
After the balance sheet date, there were no other events that would affect these financial statements and they should be included in these financial statements.

28. Remuneration of the entity authorized to audit the financial statements, paid or due for the financial year

	Year ended December 31, 2020	Year ended December 31, 2019
Audit of the annual financial statements	165 114	61 322
Total	**165 114**	**61 322**

29. Information on significant transactions concluded by the Company on terms other than market terms with related parties

There were no transactions concluded by the Company on terms other than market terms with related parties.

30. Employment

As at the balance sheet date, the company employed 4 people. The average annual employment in 2020 was 2.67.

30.1 Social assets and liabilities of the Company Social Benefits Fund

The Company does not meet the criteria imposed by the Act of March 4, 1994 on the Company Social Benefit Fund, which states that the Company Social Benefit Fund is made up of employers employing more than 50 full-time employees.

30.2 Employee benefits

30.2.1 Share-based Incentive Programs

The Company does not run any incentive programs based on the transfer of share options.

30.2.2 Retirement benefits and other post-employment benefits

Due to the short history of the Company and the average age of the employees, the Management Board of the company decided not to create a provision for liabilities due to retirement benefits.
In 2019, the Act on Employee Capital Plans entered into force. Pursuant to the provisions of the Act, the Company is not required to conclude PPK agreements.

31. Events from previous years included in the financial statements for the financial year

Events relating to previous years were not included in the financial statements for the financial year.

32. Information on the consolidated financial statements

The consolidated financial statmentsat the highest level are prepared by AB "Ignitis grupė " .

33. Contingent liabilities

The company has no contingent liabilities. There are no pending court cases and the Company is not a party to any control or tax proceedings.

34. Property security received by the Company

The Company has received bank guarantees from the main contractors: CJR sp. for a value of PLN 10 350 thousand and Nordex sp. z o.o. for the value of EUR 13 161 thousand. Additionally, Nordex presented a contract performance guarantee granted by the shareholder to Pomerania for the value of EUR 13 911 thousand.

Additionally, the Company obtained a guarantor for the repayment of investment loans in the form of AB Ignitis. Liabilities secured by guarantees amount to PLN 150 000 thousand for the benefit of the Nordic Investment Bank and PLN 258 000 thousand for the benefit of the European Investment Bank.

35. Discontinued operations

The company did not discontinue any activity.

36. Investment outlays

In the financial year 2021, the Company plans to complete the construction phase of the Wind Farm, conduct start-up and commissioning tests, and then start the production phase of the Company's operations.
As at December 31, 2020, the contractual obligations of Pomerania Wind Farm related to concluded but not yet finalized contracts for the construction of a wind farm with suppliers amount to approximately PLN 7 300 thousand, where contracts in EUR are converted into PLN using the exchange rate of the European Central Bank 1 EUR: 4.5597.

37. Licensed activity

The core business of the Company is the generation of electricity. Therefore, the entity is required to apply for a license to generate electricity from renewable energy sources before starting production.

38. Joint ventures

The company does not conduct joint ventures with other entities.

39. Capital management

The main objective of managing the Company's capital is to maintain a good credit rating and safe capital ratios that would support the Company's operating activities and increase the value for its shareholders.

April 2021

Diana Kazakevič
Chairman of the Management Board

Tadeusz Robinski
KR Group Sp. z o.o. Sp.k.
Responsible for keeping accounting books

Aleksandr Spiridonov
Member of the Management Board