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GLOBAL EXPERIENCE

Consolidated financial statements for the year ended 31 December 2019

This report is a direct translation from the original Polish version. In the event of differences resulting from the translation, reference should be made to the official Polish version

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Consolidated financial statements

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Figures in PLN thousand	Note	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Continued operations			
Revenue from the sale of products		1,231,035	1,139,692
Revenue from the sale of goods and materials		93,313	86,722
Revenue from the sale of services and lease		2,138	1,557
Revenue from sales	3	**1,326,486**	**1,227,971**
Cost of sales	4.1	928,940	870,084
Gross profit on sales		**397,546**	**357,887**
Selling and marketing costs	4.1	216,852	193,646
General and administrative expenses	4.1	108,007	99,359
Other operating income	4.2	6,257	11,834
Other operating costs	4.2	8,140	9,205
Impairment of non-financial fixed assets	4.2	4,313	10,637
Impairment of financial assets	4.2	2,929	4,579
Operating profit		**63,562**	**52,295**
Financial revenues	4.3	5,625	5,800
Financial expenses	4.3	12,745	21,291
Share in net profit/loss of the associate		470	459
Profit before tax		**56,912**	**37,263**
Income tax	5	17,232	10,603
Net profit for the financial year		**39,680**	**26,660**
Net profit attributable to:			
– shareholders of the parent		39,499	26,601
– non-controlling interests		181	59
Earnings per share attributable to the shareholders of the parent		**(PLN/share)**	**(PLN/share)**
– basic		1.73	1.16
– diluted		1.73	1.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Profit after tax	**39,680**	**26,660**
Other comprehensive income not subject to reclassification to profit or loss	**0**	**0**
FX differences arising on translation of foreign affiliates	3,331	604
FX differences on measurement of investments in the net assets of a foreign affiliate	-2,512	-4,869
Income tax	-504	427
Other comprehensive income subject to reclassification to profit or loss:	**315**	**-3,838**
Other comprehensive income for the period, after tax	**315**	**-3,838**
Total comprehensive income	**39,995**	**22,822**
Attributable to:		
– shareholders of the parent	39,819	22,751
– non-controlling interests	176	71

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

Figures in PLN thousand	Note	as at 31.12.2019	as at 31.12.2018 restated data*	as at 01.01.2018 restated data*
ASSETS				
Property, plant and equipment	6.2.1;6.2.2	235,620	211,586	220,825
Intangible fixed assets	6.2.3	52,492	55,548	55,475
Investments accounted for using the equity method	6.2.6	5,954	6,058	5,820
Deferred tax assets	5	20,867	20,187	21,970
Other long-term non-financial assets	6.2.4	7,337	7,556	7,558
Other long-term financial assets	6.1	1,322	1,785	1,883
Total non-current assets		**323,592**	**302,720**	**313,531**
Inventories	6.2.7	150,185	180,916	193,040
Other short-term non-financial assets	6.2.8	39,106	38,692	39,201
Trade receivables	6.1.1	237,892	217,910	206,435
CIT claimed		4,228	5,359	10,041
Other short-term financial assets	6.1	8,087	4,141	7,007
Cash and cash equivalents	6.1.2	85,653	45,501	52,921
Total current assets		**525,151**	**492,519**	**508,645**
TOTAL ASSETS		**848,743**	**795,239**	**822,176**
LIABILITIES AND EQUITY				
Share capital	6.3.1	1,142	1,142	1,142
FX differences arising on translation of foreign affiliates	6.3.4	-31,396	-31,716	-27,866
Supplementary capital		608,648	577,016	551,402
Other reserves	6.3.2	9,633	9,633	9,633
Retained profit/ loss carried forward		-129,712	-130,729	-124,689
Equity attributable to the shareholders of the parent		**458,315**	**425,346**	**409,622**
Non-controlling interests	6.3.3	727	557	490
Total equity		**459,042**	**425,903**	**410,112**
Long-term portion of bank and other loans	6.1.3	69,515	118,156	15,465
Long term lease obligations	6.1.5	23,479	6,130	8,462
Other long term financial liabilities		109	110	5,884
Deferred tax liabilities	5	3,843	3,143	3,817
Other long term non-financial liabilities	6.2.10	1,598	1,844	1,820
Long-term provisions	6.2.9	4,690	3,294	2,897
Non-current liabilities		**103,234**	**132,677**	**38,345**
Trade liabilities		143,986	132,116	164,628
Obligations to return remuneration		19,556	10,914	0
Short-term portion of bank and other loans	6.1.3	34,392	27,231	139,853
Short-term lease obligations	6.1.5	14,250	5,082	4,930
Other short term financial liabilities	6.1	16,841	15,696	14,061
CIT tax payable		8,324	2,265	770
Other short term non-financial liabilities	6.2.10	43,910	37,036	37,981
Short-term provisions	6.2.9	5,208	6,319	11,496
Current liabilities		**286,467**	**236,659**	**373,719**
Total liabilities		**389,701**	**369,336**	**412,064**
TOTAL LIABILITIES AND EQUITY		**848,743**	**795,239**	**822,176**

*The reasons and effects of restating the data published in prior periods are contained in Note 1.3

CONSOLIDATED STATEMENT OF CASH FLOWS

Figures in PLN thousand	Note	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Cash flows from operating activities			
Profit (loss) before tax		**56,912**	**37,263**
Share in the result of the entities accounted for using the equity method		-470	-459
Depreciation/ amortisation		38,265	27,961
FX gains (losses)		-740	-248
Interest and dividends		5,432	6,119
Profit/ (loss) on investing activities		3,055	6,962
Change in the balance of receivables	8.3	-22,428	-14,728
Change in the balance of inventories	8.3	30,806	8,602
Change in the balance of obligations	8.3	35,080	-22,706
Change in the balance of provisions		286	-4,934
CIT paid		-10,298	-3,077
Other	8.3	44	3,772
Net cash flows from operating activities		**135,944**	**44,527**
Cash flows from investing activities			
Acquisition of tangible and intangible fixed assets		-26,279	-26,649
Inflows from sale of tangible and intangible fixed assets		1,049	829
Purchase of shares in a subsidiary		-3,973	0
Dividends and interest received		628	646
Repayments of loans granted		445	139
Other	8.3	106	176
Net cash flows from investing activities		**-28,024**	**-24,859**
Cash flows from financing activities			
Inflows from bank/ other loans received	6.1.4	85,995	98,245
Repayment of bank and other loans	6.1.4	-127,952	-107,379
Repayment of lease obligations	6.1.4	-14,151	-5,558
Dividends paid to owners		-6,856	-6,850
Interest paid	6.1.4	-4,938	-6,416
including lease interest		*-354*	*-373*
Other	8.3	130	746
Net cash flows from financing activities		**-67,772**	**-27,212**
Net increase in cash and cash equivalents		**40,148**	**-7,544**
Change in cash and cash equivalents, including:		40,152	-7,420
net FX differences		4	124
Cash and cash equivalents at the beginning of the period*		45,501	52,921
Cash and cash equivalents at the end of the period*		85,653	45,501

*including restricted cash:

as at 31 December 2018: PLN 0.05m

as at 31 December 2019: PLN 0.05m

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

Figures in PLN thousand	Equity attributable to the shareholders of the parent							Equity attributable to non-controlling interests	Total equity
	Share capital	Supplementary capital	FX differences arising on translation of a foreign affiliate	Other reserves	Retained profit/ (loss carried forward): from previous years	Retained profit/ (loss carried forward): from the current period	Total equity		
as at 1 January 2019	**1,142**	**577,016**	**-31,716**	**9,633**	**-130,729**	**0**	**425,346**	**557**	**425,903**
Profit for the financial year	0	0	0	0	0	39,499	39,499	181	39,680
Other net comprehensive income for the period	0	0	320	0	0	0	320	-5	315
Total comprehensive income for the period	**0**	**0**	**320**	**0**	**0**	**39,499**	**39,819**	**176**	**39,995**
Transfer of profit to the supplementary capital	0	31,632	0	0	-31,632	0	0	0	0
Dividend	0	0	0	0	-6,850	0	-6,850	-6	-6,856
as at 31 December 2019	**1,142**	**608,648**	**-31,396**	**9,633**	**-169,211**	**39,499**	**458,315**	**727**	**459,042**

FOR THE YEAR ENDED 31 DECEMBER 2018

Figures in PLN thousand	Equity attributable to the shareholders of the parent							Equity attributable to non-controlling interests	Total equity
	Share capital	Supplementary capital	FX differences arising on translation of a foreign affiliate	Other reserves	Retained profit/ (loss carried forward): from previous years	Retained profit/ (loss carried forward): from the current period	Total equity		
as at 1 January 2018 (restated data)	**1,142**	**551,402**	**-27,866**	**9,633**	**-124,689**	**0**	**409,622**	**490**	**410,112**
Impact of implementation of IFRS 9	0	0	0	0	-177	0	-177	0	-177
as at 1 January 2018 (after adoption of IFRS 9)	**1,142**	**551,402**	**-27,866**	**9,633**	**-124,866**	**0**	**409,445**	**490**	**409,935**
Profit for the financial year	0	0	0	0	0	26,601	**26,601**	59	**26,660**
Other net comprehensive income for the period	0	0	-3,850	0	0	0	**-3,850**	12	**-3,838**
Total comprehensive income for the period	**0**	**0**	**-3,850**	**0**	**0**	**26,601**	**22,751**	**71**	**22,822**
Transfer of profit to the supplementary capital	0	25,614	0	0	-25,614	0	**0**	0	**0**
Dividend	0	0	0	0	-6,850	0	**-6,850**	-4	**-6,854**
as at 31 December 2018	**1,142**	**577,016**	**-31,716**	**9,633**	**-157,330**	**26,601**	**425,346**	**557**	**425,903**

General information

1. General information

1.1 Characteristics of the Parent Company

Parent Company

The parent of the Group is Selena FM S.A. The Company was established and registered in 1993 as a limited liability company under the name Przedsiębiorstwo Budownictwa Mieszkaniowego. In 2006, the Extraordinary General Meeting of Shareholders of the Parent Company approved the name change to Selena FM. In 2007, the Company was transformed into a joint stock company. On 18 April 2008, Selena FM S.A. debuted on the Warsaw Stock Exchange and has been a listed entity since that date.

Its duration is indefinite (it is a going concern).

The Company's registered office is at Strzegomska 2-4, 53-611 Wrocław, Poland. The Company operates in Poland.

The Company is entered in the business register of the National Court Register kept by the District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register, after transformation, under KRS no. 0000292032 (previous KRS no. 0000129819). The Company was assigned the statistical number REGON 890226440.

The Parent Company's core business includes:
- distribution of the Group's products to foreign markets
- providing subsidiaries with advice on strategic management, finance management, sales strategy as well as maintenance of accounting books for customers.

Selena FM S.A. and Selena FM S.A. Group ("Selena Group") are controlled by Krzysztof Domarecki.

Management Board of the Parent Company

as at 31 December 2018, the Parent Company's Management Board was composed of:
- Krzysztof Domarecki – acting Management Board President.
- Elżbieta Korczyńska – Management Board Member, CFO

Changes in the Management Board in 2019:

On 7 January 2019, the following persons were appointed to the Management Board of Selena FM S.A.:
- Dariusz Ciesielski, who was appointed Vice President of the Management Board for Sales, and
- Bogusław Mieszczak, who was appointed Management Board Member for Operations.

On 1 March 2019, the following persons were appointed to the Management Board of Selena FM S.A.:
- Krzysztof Domarecki, who was appointed President of the Management Board and
- Christian Dölle, who was appointed Vice President of the Management Board for Marketing.

On 24 June 2019, Elżbieta Korczyńska resigned as Management Board member effective from 30 June 2019.

On 24 June 2019, the Parent Company's Supervisory Board adopted a resolution appointing Jacek Michalak to the Parent Company's Management Board as Chief Financial Officer. The appointment became effective as of 1 July 2019.

On 7 October 2019, Bogusław Mieszczak resigned from the Parent Company's Management Board and stepped down as COO.

as at 31 December 2019, the Parent Company's Management Board was composed of:

- Krzysztof Domarecki – Management Board President
- Dariusz Ciesielski – Vice President for Sales
- Christian Dölle – Vice President for Marketing
- Jacek Michalak – Management Board Member for Finance

By the date of publication of this report, no other changes took place in the composition of the Management Board of the parent company.

Supervisory Board of the Parent Company

as at 31 December 2018, the Supervisory Board of the Parent Company was composed of:

- Krzysztof Domarecki – Supervisory Board Chairman
- Borysław Czyżak – independent Supervisory Board Member
- Andrzej Krämer – independent Supervisory Board Member
- Marlena Łubieszko-Siewruk – independent Supervisory Board Member
- Mariusz Warych – independent Supervisory Board Member.

Changes in the Supervisory Board composition in 2019:

On 28 February 2019, Krzysztof Domarecki resigned from the Supervisory Board and from the role of the Chairman of the Supervisory Board effective from 28 February 2019.

On the same day, the Parent Company's Extraordinary General Meeting of Shareholders nominated Andrzej Krämer, Supervisory Board member, as the Chairman of the Parent Company's Supervisory Board and appointed Czesław Domarecki to the Supervisory Board.

On 27 May 2019, the Annual General Meeting of Shareholders of Selena FM S.A. appointed Łukasz Dziekan to the Parent Company's Supervisory Board.

as at 31 December 2019, the Parent Company's Supervisory Board was composed of:

- Andrzej Krämer – Chairman of the Supervisory Board
- Borysław Czyżak – independent Supervisory Board Member
- Marlena Łubieszko-Siewruk – independent Supervisory Board Member
- Mariusz Warych – independent Supervisory Board Member
- Czesław Domarecki – Supervisory Board Member
- Łukasz Dziekan – Supervisory Board Member

By the date of publication of this report, no other changes took place in the Supervisory Board’s composition.

Audit Committee, Strategy and Innovation Committee, Nominations and Remuneration Committee

as at 31 December 2018, the Audit Committee was composed of:

- Mariusz Warych – Chairman of the Audit Committee
- Marlena Łubieszko-Siewruk – Audit Committee Member
- Krzysztof Domarecki – Audit Committee Member.

In the opinion of the Supervisory Board, the Audit Committee, in the aforementioned composition, fulfilled the independence criteria and other requirements specified in Article 128(1) and Article 129(1), (3), (5) and (6) of the Act on Statutory Auditors, Audit Firms and Public Oversight.

Changes in the Audit Committee composition in 2019:

Since 1 March 2019, the Audit Committee has consisted of:

- Mariusz Warych – Chairman of the Audit Committee
- Andrzej Krämer – Audit Committee Member
- Marlena Łubieszko-Siewruk – Audit Committee Member.

In the opinion of the Supervisory Board, the Audit Committee, in the aforementioned composition, fulfills the independence criteria and other requirements specified in Article 128(1) and Article 129(1), (3), (5) and (6) of the Act on Statutory Auditors, Audit Firms and Public Oversight.

By the date of publication of this report, no changes took place in the Audit Committee's composition.

as at 31 December 2018, the Strategy and Innovation Committee was composed of:

- Andrzej Krämer – Chairman of the Strategy and Innovation Committee
- Borysław Czyżak – member of the Strategy and Innovation Committee.

By the date of publication of this report, no changes took place in the Strategy and Innovation Committee's composition.

as at 31 December 2018, the Nominations and Remuneration Committee was composed of:

- Borysław Czyżak – Chairman of the Nominations and Remuneration Committee
- Marlena Łubieszko-Siewruk – member of the Nominations and Remunerations. Committee

By the date of publication of this report, no changes took place in the Nominations and Remuneration Committee's composition.

1.2 Information about the financial statements

Data covered by the financial statements

These financial statements are consolidated financial statements of Selena FM Group. They cover the period of 12 months ended 31 December 2019 and data as at that date.

The consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity cover the data for the 12 months ended 31 December 2019 as well as comparative data for the period of 12 months ended 31 December 2018.

The consolidated statement of financial position covers the data presented as at 31 December 2019, and comparative data as at 31 December and 1 January 2018. Details are presented in Note 1.3.

Approval of the financial statements

These consolidated financial statements were approved for publication by the Management Board of the Parent Company on 14 May 2020.

Measurement and reporting currency

The currency used for measurement and presentation of financials in this consolidated report in Polish zloty, and all figures have been presented in PLN thousand, unless specified otherwise.

At the balance sheet date, i.e. 31 December 2019 and 31 December 2018, the assets and liabilities expressed in foreign currency are valued using the mean rate applicable to the respective currencies at the end of the reporting period that has been set by for the particular currency by the National Bank of Poland. Items of the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows are measured at the arithmetic average of the average exchange rates announced for a given currency by the National Bank of Poland on the last day of each month in the period from January to December of 2019 and 2018, respectively.

The rates used for measurement of balance sheet items and the average rates for the individual reporting periods are presented in the table below.

Ccy	as at 31.12.2019	as at 31.12.2018	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
1 USD	3.7977	3.7597	3.8440	3.6227
1 EUR	4.2585	4.3000	4.3018	4.2669
100 HUF	1.2885	1.3394	1.3198	1.3339
1 UAH	0.1602	0.1357	0.1502	0.1330
1 CZK	0.1676	0.1673	0.1676	0.1663
1 RUB	0.0611	0.0541	0.0596	0.0576
1 BRL	0.9448	0.9687	0.9746	0.9892
1 BGN	2.1773	2.1985	2.1995	2.1816
1 CNY	0.5455	0.5481	0.5571	0.5463
100 KRW	0.3291	0.3373	0.3301	0.3293
1 RON	0.8901	0.9229	0.9053	0.9165
1 TRY	0.6380	0.7108	0.6766	0.7676
100 KZT	0.9916	1.0124	1.0038	1.0498

Going concern

At the date of approval of these consolidated financial statements, no circumstances occurred that would point to a risk to continuity of operations by Selena Group companies. The Management Board of Selena FM S.A. also analysed the impact of events after the balance sheet date, and in particular the impact of COVID 19 (as described in Note 8.7 of these consolidated financial statements) on the Parent Company's ability to continue as a going concern. As at the date of publication of these consolidated financial statements, Selena Group has a stable financial position, and its cash flow forecasts point to its ability to maintain its cash position at a level sufficient to continue as a going concern. Accordingly, the consolidated financial statements have been prepared on the assumption of going concern.

Management Board's assurance statement on reliability of the financial statements

The Management Board of Selena FM S.A. hereby confirms that to the best of its knowledge the consolidated financial statements for 2019 have been prepared in accordance with the applicable accounting policies and give a true, fair and clear picture of the affairs of Selena Group and its net profit. The Management Board's report on the activities of Selena Group for 2019 gives a true view of development, achievements and the situation of the Company, including a description of key threats and risks.

1.3 Accounting policies

Basis of preparation and comparability of financial data

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") approved by the EU.

IAS and IFRS include the standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee (IFRIC).

The accounting policies described in this note were applied by the Group on a continuous basis for all periods presented, taking into account changes arising from adoption of the new IFRS 16 Leases as of 1 January 2019.

In addition, in order to increase the usability of the consolidated financial statements for its readers and to adapt them to the requirements of IAS 1 in terms of aggregation of presented data depending on their significance, in 2019, the Group changed the presentation and names of some headings of the consolidated statement of financial position. To meet the requirements of IAS 8, comparative data were restated as at 31 December and 31 January 2018 as the third column was added to the consolidated statement of financial position.

The following summary shows the impact of the presentation changes and reconciliation between the data published for the year ended 31 December 2018 and those included in these consolidated statement of financial position (impact as at 31.12.2018 and 01.01.2018) :

Figures in PLN thousand	as at 31.12.2018 published figures	Reclassification of financial assets*	Reclassification of non-financial assets**	as at 31.12.2018 restated data
Other fixed assets	7,556		-7,556	-
Other long-term non-financial assets	-		7,556	7,556
Other long-term receivables	387	-387		-
Long-term portion of loans granted	45	-45		-
Other long-term financial assets	1,353	432		1,785
Other short-term receivables	40,999	-2,307	-38,692	-
Short-term portion of loans granted	409	-409		-
Other short-term financial assets	1,425	2,716		4,141
Other short-term non-financial assets	-		38,692	38,692
TOTAL ASSETS	**52,174**	**0**	**0**	**52,174**

* Loans granted, cheques and other financial assets

** Tax and other non-financial receivables

Figures in PLN thousand	as at 31.12.2018 published figures	Reclassification – loans and lease liabilities	Reclassification of financial obligations*	Reclassification of non-financial assets and liabilities**	as at 31.12.2018 restated data
Long term lease obligations	-	6,130			6,130
Short-term lease obligations	-	5,082			5,082
Long-term portion of bank and other loans	115,712	2,444			118,156
Short-term portion of bank and other loans	26,780	451			27,231
Other long-term financial liabilities	6,130	-6,130			-
Other long-term liabilities	4,398	-2,444	-110	-1,844	-
Other short-term financial liabilities	16,292	-5,082	-11,210		-
Other short-term liabilities	41,973	-451	-4,486	-37,036	-
Other long term financial liabilities			110		110
Other long term non-financial liabilities				1,844	1,844
Other short term financial liabilities			15,696		15,696
Other short term non-financial liabilities				37,036	37,036
TOTAL LIABILITIES	211,285	0	0	0	211,285

* liabilities on account of prepaid trade receivables and other financial liabilities

**statutory liabilities, payroll liabilities and other non-financial liabilities

Figures in PLN thousand	as at 01.01.2018 published figures	Reclassification of financial assets*	Reclassification of non-financial assets**	as at 01.01.2018 restated data
Other fixed assets	7,558		-7,558	-
Other long-term non-financial assets	-		7,558	7,558
Other long-term receivables	367	-367		-
Long-term portion of loans granted	45	-45		-
Other long-term financial assets	1,471	412		1,883
Other short-term receivables	40,637	-1,436	-39,201	-
Short-term portion of loans granted	498	-498		-
Other short-term financial assets	5,073	1,934		7,007
Other short-term non-financial assets	-		39,201	39,201
TOTAL ASSETS	55,649	0	0	55,649

* Loans granted, cheques and other financial assets

** Tax and other non-financial receivables

Figures in PLN thousand	as at 01.01.2018 published figures	Reclassification – loans and lease liabilities	Reclassification of financial obligations*	Reclassification of non-financial assets and liabilities**	as at 01.01.2018 restated data
Long term lease obligations	-	8,462			8,462
Short-term lease obligations	-	4,930			4,930
Long-term portion of bank and other loans	12,714	2,751			15,465
Short-term portion of bank and other loans	139,415	438			139,853
Other long-term financial liabilities	14,170	-8,462	-5,708		-
Other long-term liabilities	4,747	-2,751	-176	-1,820	-
Other short-term financial liabilities	14,529	-4,930	-9,599		-
Other short-term liabilities	42,881	-438	-4,462	-37,981	-
Other long term financial liabilities			5,884		5,884
Other long term non-financial liabilities				1,820	1,820
Other short term financial liabilities			14,061		14,061
Other short term non-financial liabilities				37,981	37,981
TOTAL LIABILITIES	228,456	0	0	0	228,456

* liabilities on account of prepaid trade receivables and other financial liabilities

**statutory liabilities, payroll liabilities and other non-financial liabilities

Impact of new and amended standards and interpretations

Presented below is a list of standards, amendments to the existing standards and interpretations published by the International Accounting Standards Board (IASB) and approved for application in the EU, which for the first time enter into force in the 2019 consolidated financial statements:

– IFRS 16 Leases
– Amendments to IFRS 9: Prepayment Features with Negative Compensation;
– Amendments to IAS 28 Investments in Associates and Joint Ventures;
– IFRIC 23: Uncertainty over Income Tax Treatments;
– Annual amendments to IFRS 2015–2017;
– IAS 19 Employee Benefits;
– IFRIC 22 re foreign currency transactions and advance consideration

The above amendments to standards, with the exception of IFRS 16, will not have any material impact on the Group's accounting policy or its consolidated financial statements.

IFRS 16 Leases

Selena Group applied IFRS 16 as of 1 January 2019, without restating the comparative data, which means that data for 2018 and 2019 will not be comparable, while any adjustments related to IFRS 16 were made as of 1 January 2019.

IFRS 16 Leases – effective for annual periods beginning on or after 1 January 2019. The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases. All lease transactions result in the lessee’s right to use the assets and in the obligation to make a payment. Accordingly, the classification of leases into operating lease and finance lease as per IAS 17 no longer applies under IFRS 16, as the new standard introduces a single model for accounting for leases by the lessee.

According to the standard, the lessee is required to recognise:
(a) assets and liabilities in respect of all lease transactions made for more than 12 months, except where an asset is of low value; and
(b) depreciation of the leased asset separately from interest on the lease liability in the statement of profit or loss.

The principles for accounting for leases established in IFRS 16 are largely the same as in IAS 17. As a consequence, the lessee continues to use the classification into operating lease and finance lease and accounts for them accordingly.

During the work related to implementation of the new IFRS 16 standard, an analysis was performed of all finance lease, operating lease, rental and tenancy contracts and other types of contracts previously not carried as leases.

For the purposes of the first-time adoption of the standard, Selena Group applied the modified retrospective method and measured right-of-use assets in an amount equal to lease liabilities, adjusted by the amount of any prepayments or accrued lease payments referring to leases, recognized in the statement of financial position immediately before the first-time adoption. In accordance with the transitional provisions included in the standard, the new principles were adopted retrospectively with the first-adoption result reflected in equity as at 1 January 2019. Therefore, comparative data for 2018 were not restated.

In accordance with the adopted policy, at the moment of initial recognition, right of use assets are measured at cost including:
– initial value of the lease liability
– lease payments made on or before the lease contract date, reduced by any incentives received
– any initial costs incurred by the lessee
– an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

Depreciation is calculated using the straight-line method over the shorter of the estimated useful life or the lease period.

The lease liabilities have been measured based on the present value of lease payments during the lease contract. The payment included in the measurement includes:
– fixed payments less any lease incentives receivable
– variable lease payments that depend on an index or a rate
– amounts expected to be payable by the lessee under residual value guarantees
– the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
– payments of penalties for terminating the lease (if applicable).

In accordance with IFRS 16, the discount rate was estimated, which is the incremental borrowing rate reflecting the cost of finance that Selena Group would have to incur to purchase the leased asset. In order to estimate the correct rate, account was taken of the contract type, its duration and the country where it was signed.

The weighted average lease rate reflecting the cost of borrowing that Selena Group would have to incur to buy the leased asset, used for the purpose of valuation of liabilities, was 4.61%.

Selena Group decided to use the following practical expedients provided for in IFRS 16:

– no recognition of right-of-use assets and lease liabilities for contracts involving payments for leases of low-value assets – where the underlying asset has a value not higher than USD 5,000;
– no recognition of right-of-use assets and lease liabilities for short-term contracts (shorter than 12 months, which have no option to purchase the leased asset);
– applying a single discount rate for a portfolio of leases with similar characteristics (e.g. one discount rate for contracts concluded in a particular country);
– the use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Presented below is the impact of implementation of IFRS 16 on individual items of the statement of financial position as at 1 January 2019:

Figures in PLN thousand	as at 01.01.2019
Property, plant and equipment	18,286
Intangible assets (perpetual usufruct of land)	1,749
Lease liabilities	20,035

Figures in PLN thousand	as at 31.12.2018	Impact of IFRS 16 as at 01.01.2019	as at 01.01.2019
Buildings and structures	3,435	11,176	14,611
Plant and machinery	7,635	0	7,635
Vehicles	2,815	7,110	9,925
Other intangible assets (perpetual usufruct of land)		1,749	1,749
Total right-of-use assets	**13,885**	**20,035**	**33,920**

The table below shows the reconciliation of transition from IAS 17 to IFRS 16:

Figures in PLN thousand	as at 01.01.2019
Operating lease liabilities (without discount) as at 31 December 2018	23,405
Impact of the discount using the incremental borrowing rate on implementation of IFRS 16	-1,346
Finance lease liabilities as at 31 December 2018	11,212
The value of short-term lease contracts, i.e. contracts whose lease term is not longer than 12 months and does not contain a purchase option	-2,008
The value of low-value leases	-16
Lease liabilities according to IFRS 16	**31,247**

Other disclosures required by IFRS 16 regarding the right-of-use assets and lease liabilities are presented in Note 6.1.5 and 6.2.2.

Published standards and interpretations which have not come into force and which were not adopted earlier

In these consolidated financial statements, Selena Group has decided not to adopt the following published standards, interpretations and improvements to the existing standards before their effective date:

– IFRS 17 Insurance Contracts;
– Amendments to References to the Conceptual Framework in IFRS;
– Amendments to IFRS 3 Business Combinations;
– Amendments to IAS 1 Presentation of Financial Statements and IAS 8 IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
– IFRS 14 Regulatory Deferral Accounts;
– Improvements to IFRS 10 and IAS 28 relating to sales or contributions of assets between an investor and its associates/joint ventures;

The effective dates are the dates arising from the standards published by the International Financial Reporting Board. The effective dates of the standards in the European Union may differ from the effective dates arising from the standards and are announced upon the adoption of the standards by the European Union. When approving these consolidated financial statements, no published standards, amendments to existing standards or interpretations were adopted before their entry into force. Selena Group is currently analyzing how the introduction of the above standards and interpretations might affect its consolidated financial statements.

Consolidation rules

These consolidated financial statements include the financial statements of the Parent Company and the financial statements of its subsidiaries, associates and joint ventures. After adjustments required to ensure compliance with IFRS, the financial statements of subsidiaries are prepared for the same reporting period as those of the Parent Company, using consistent accounting principles applied for transactions and economic events of a similar nature. In order to eliminate any differences in the applied accounting policies, adjustments are also implemented on the consolidated level.

All significant balances and transactions between the Group's entities, including unrealised profits arising from intra-Group transactions are eliminated. Unrealised losses are also eliminated, unless they are evidence for impairment.

Subsidiaries are consolidated from the date the Group assumes control over them and cease to be consolidated on the day the control ceases. A control by a parent entity is said to exist where the entity is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Rules for recognising call options regarding non-controlling interests

Where a controlling interest is acquired in a subsidiary, if Selena Group does not own all shares in the entity and at the same time issues a call option for other shares, Selena Group takes into account whether all the criteria for acquiring ownership of all the shares pursuant to IAS 32 have been met. If most of the conditions for the transfer of ownership of all shares are met, the settlement of the acquisition of the subsidiary will take place on the assumption of acquisition of 100% of the shares. In such a case, Selena Group recognises a financial liability in respect of the financial instrument with the call option for the shares based on the provisions of IAS 32 and, in accordance with IFRS 3, reflects them in the cost of combination of the entities; any subsequent changes in the value of this liability are recognised in profit or loss of the current period. Consequently, no non-controlling interest arises out of such a transaction.

Investments in associates

Associates are entities which are significantly influenced by the Parent Company directly or through its subsidiaries, and which are neither subsidiaries nor joint ventures of the parent entity. Valuation of the shares held by the parent entity using the equity method is based on the financial statements of the associates. The financial year of associates and the parent company is the same. Associates apply accounting policies which are in conformity with the laws applicable to their place of establishment. Before calculating the share in the net assets of associates, the necessary adjustments are made to bring the financial data of these entities with the IFRS adopted by Selena Group.

Investments in associates are measured using the equity method. Investments in associates are recognised in the balance sheet at cost increased by subsequent changes in the value of the parent's share in the net assets of these entities, less any impairment allowances. The share in profits or losses of associates is reflected in the consolidated profit or loss of the Group.

Impairment assessment of investments in associates takes place when there are indications of impairment or when impairment allowance made in previous years is no longer required.

Financial statements of subsidiaries with a functional currency other than PLN

The consolidated financial statements are presented in PLN, which is also the functional currency of the Parent Company and its Polish subsidiaries.

For the purposes of preparing the consolidated financial statements in the Selena Group's presentation currency, the following translations are made for individual items of the financial statements of the foreign entities whose functional currency is other than PLN:

a) asset and liability items – at closing rates, i.e. at the average exchange rate as at the end of the reporting period announced for a given currency by the National Bank of Poland;

b) items of the income statement, statement of comprehensive income and statement of cash flows – at the arithmetic average of the average exchange rates announced for a given currency by the National Bank of Poland on the last day of each month of a given reporting period. In the event of significant fluctuations in the exchange rate in a given period, the revenues and expenses of the income statement and the statement of comprehensive income are translated at the rates applicable at transaction dates.

Foreign exchange differences arising on translation of foreign affiliates are recognised in other comprehensive income of the given period.

In its standalone financial statements, the Parent Company recognises receivables from and loans granted to its subsidiaries. If in the Management Board's opinion such instruments represent investments into net assets (i.e. are a part of financing of the subsidiary, and their recovery is not planned in the near future), then the exchange differences from the valuation of such assets arising in the separate financial statements of the entities and the Parent Company are presented in the Group's consolidated financial statements as a element of the statement of comprehensive income. Such recognition does not affect the result presented in the separate financial statements of the individual entities.

Information about the Group

2. Information about the Group

2.1 Activities of Selena Group

Selena has been trading since 1993. The core business of Selena FM Group (“Selena Group”) includes production, distribution and sale of construction chemicals, building materials for doors and windows, and general building accessories. The products on offer include both solutions addressed to professionals and to individual users. The Group's leading brands include Tytan, Quilosa, Artelit and Matizol. The Group's product range includes:

- Polyurethane mounting foams and foam adhesives
- Construction sealants (silicones, acrylic products)
- Construction and mounting adhesives
- Roofing membranes and shingles
- Bituminous masses
- Thermo-reflexive roof coating
- Building insulation systems
- Adhesives and joint fillers for ceramic tiles
- Application equipment
- Wood preservatives
- Agents for roofs and walls
- Foils and membranes.

Selena Group is an international producer and distributor of construction chemicals. It has production plants are located mainly in Poland, but also in Brazil, China, Romania, Turkey, Spain and Kazakhstan. In turn, commercial establishments are located in different countries of Europe, Asia and both Americas. Selena Group’s products are available in the markets of more than 70 countries.

The Group also carries on R&D activity in Poland, Spain, Turkey and China.

2.2. Group composition

The table below shows the ownership and organisational structure of the Group and division into operating segments. The data are presented as at 31 December 2019 and 31 December 2018.
All the companies in the table are consolidated using the full (line-by-line) method, except the associated company Hamil – Selena Co. Ltd., and the joint venture: House Selena Trading Company Ltd., which are consolidated using the equity method.

The “owner” column specifies the name of the owner as at 31 December 2019:

	REGION	COUNTRY	ENTITY	REGISTERED OFFICE	ACTIVITY	GROUP'S SHARE as at 31.12.2019	GROUP'S SHARE as at 31.12.2018	OWNER
European Union	Poland	Poland	Selena FM S.A.	Wrocław	Group Head Office			-
			Selena S.A.	Wrocław	Distributor	100.00%	100.00%	FM
			Orion PU Sp. z o.o.	Dzierżoniów	Manufacturer of foams, adhesives, distributor	99.95%	99.95%	SIT 1
			Carina Silicones Sp. z o.o.	Siechnice	Manufacturer of sealants, distributor	100.00%	100.00%	SIT
			Libra Sp. z o.o.	Dzierżoniów	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	SIT
			Izolacja Matizol Sp. z o.o.	Gorlice	Manuf. of roof coverings, hydroinsulation, distributor	100.00%	100.00%	SIT
			Tytan EOS Sp. z o.o.	Wrocław	Manufacturer of loose materials	100.00%	100.00%	SIT
			Selena Labs Sp. z o.o.	Siechnice	Research and Development	99.65%	99.65%	FM 1
			Selena Marketing International Sp. z o.o.	Wrocław	Intellectual property management	100.00%	100.00%	SA
			Taurus Sp. z o.o.	Dzierżoniów	Lease of plant and machinery	100.00%	100.00%	SIT
			Carina Sealants Sp. z o.o.	Siechnice	Legal administration	100.00%	100.00%	FM
			Selena Industrial Technologies Sp. z o.o.	Warsaw	Production management	100.00%	100.00%	FM
			Oligo Sp. z o.o.	Katowice	Research and Development	99.65%	99.50%	SL
	Western Europe	Spain	Selena Iberia slu	Madrid	Manufacturer of sealants, adhesives, distributor	100.00%	100.00%	FM
		Italy	Selena Italia srl	Limena	Distributor	100.00%	100.00%	FM
			Uniflex S.R.L.**	Mezzocorona	Manufacturer of sealants, distributor	100.00%	64.00%	FM
		Germany	Selena Deutschland GmbH	Hagen	Distributor	100.00%	100.00%	FM
	Central and Eastern Europe	Czech Republic	Selena Bohemia s.r.o.	Prague	Distributor	100.00%	100.00%	FM
		Romania	Selena Romania SRL	Ilfov	Distributor	100.00%	100.00%	FM
			EURO MGA Product SRL	Ilfov	Manufacturer of adhesives and cement mortars	100.00%	100.00%	ROM
		Hungary	Selena Hungária Kft.	Pécs	Distributor	100.00%	100.00%	FM
		Bulgaria	Selena Bulgaria Ltd.	Sofia	Distributor	100.00%	100.00%	FM
Eastern Europe and Asia	Eastern Europe	Russia	Selena Vostok Moscow	Moscow	Distributor	100.00%	100.00%	FM 2
		Kazakhstan	Selena CA L.L.P.	Almaty	Distributor	100.00%	100.00%	FM
			TOO Selena Insulations	Nur-Sultan	Manufacturer of insulation systems	100.00%	100.00%	FM
			TOO Big Elit ***	Nur-Sultan	Manufacturer of dry mortars	-	100.00%	CA
		Ukraine	Selena Ukraine Ltd.	Kiev	Distributor	100.00%	100.00%	FM 2
	Asia	China	Weize (Shanghai) Trading Co., Ltd.	Shanghai	Distributor	100.00%	100.00%	FM
			Selena Nantong Building Materials Co., Ltd.	Nantong	Manufacturer, distributor	100.00%	100.00%	FM
			Foshan Chinuri-Selena Chemical Co.	Foshan	Manufacturer of sealants, distributor	84.57%	84.57%	SA 1
			House Selena Trading Company Ltd.	Shanghai	Distributor	40.00%	40.00%	NAN
		S.Korea	Hamil - Selena Co. Ltd	Kimhae	Manufacturer of foams	30.00%	30.00%	SA 3
	Middle East	Turkey	Selena Malzemeleri Yapi Sanayi Tic. Ltd.	Istambul	Man. of foams and sealants, distributor	100.00%	100.00%	FM
			POLYFOAM Yalitim Sanayi ve Tic Ltd.	Istambul	Distributor	100.00%	100.00%	SA 2
N&S America	N&S America	Brazil	Selena Sulamericana Ltda	Curitiba	Manufacturer, distributor	100.00%	100.00%	FM 3
		USA	Selena USA, Inc.	Holland	Distributor	100.00%	100.00%	FM
			Selena USA Specialty Inc.*	Holland	Property management	-	100.00%	FM

** On 1 January 2019, Selena USA Inc. merged (as the acquiring company) with Selena USA Speciality Inc. (the acquired company).*
*** Change in the company's legal form on 13 November 2019. Uniflex S.p.A. (joint-stock company) was transformed into a limited liability company – Uniflex S.R.L.*
**** On 18 January 2019, Selena CA L.L.P. merged (as the acquiring company) with TOO Big Elit (the acquired company).*

Explanations to the "Owner" column

FM - 100% owned by Selena SA (SFM)
FM 1 – shares owned by SFM, other shares are owned by Krzysztof Domarecki (Supervisory Board Chairman of Selena FM)
FM 2 – shares are owned by Selena FM (99%) and Selena S.A. (1%)
FM 3 – shares owned by Selena FM (95%) and Selena S.A. (5%)
FM 4 – shares are owned by Selena FM, the remaining shares are held outside of the Group
SIT – 100% shares are owned by Selena Industrial Technologies Sp. z o.o.
SIT 1 – shares are owned by Selena Industrial Technologies Sp. z o.o. (99.95%), other shares outside the Group
NAN – joint venture – owned by Selena Nantong Building Materials Co., Ltd.

SL - shares owned by Selena Labs Sp. z o.o. (100%)
SA – 100% owned by Selena SA
SA 1 – shares are owned by Selena S.A., the remaining shares are held outside of the Group
SA 2 – shares are owned by Selena SA (85%) and Carina Silicones Sp. z o.o. (15%)
SA 3 – associate – shares are owned by Selena SA
ROM – 99.87% shares owned by Selena Romania, other shares held by Selena FM
CA – 100% shares are owned by Selena CA L.L.P.

2.3 Changes in the Group composition

Merger of Selena USA Inc. with Selena USA Speciality Inc.

On 1 January 2019, Selena USA Inc. merged (as the acquiring company) with Selena USA Speciality Inc. (the acquired company). Under the agreement of 31 December 2018, the share capital of the acquired company was transferred in its entirety to the acquiring company. As a result of the merger, the acquired company was deregistered.

Acquisition of control over Uniflex S.p.A

On 24 June 2019, Selena FM S.A. received a notification from minority shareholders of Uniflex S.p.A. i.e., Franco Berlanda and Primaldo Paglialongi on the exercise of the put options by the above individuals, who had the right to 20.25% and 15.75% of shares, respectively, in the share capital of Uniflex S.p.A. The right to sell Uniflex S.p.A. shares was given to minority shareholders in accordance with the shareholder agreement of 29 March 2017. On the basis of the above agreement, after receiving the notifications, Selena FM S.A. was required to purchase:
1) from Franco Berlanda: his 60,750 shares in the share capital of Uniflex S.p.A.
2) from Primaldo Paglialongi: his 47,250 shares in the share capital of Uniflex S.p.A.

On 4 July 2019, Selena FM S.A. acquired 108,000 shares for EUR 936 thousand, representing 36% of the share capital of Uniflex S.p.A. Thus, Selena FM S.A. became the sole shareholder of Uniflex S.p.A. (100% shares in the share capital).

The share purchase transaction had no impact on the consolidated financial statements, because both these consolidated financial statements and the consolidated statements for 2018 and 2017 were prepared on the assumption that Selena FM S.A. acquired 100% shares of Uniflex S.p.A. as a result of recognising the obligation to buy back shares from minority shareholders as at the date of the company's acquisition (March 2017).

On 13 November 2019, Uniflex S.p.A. (joint-stock company) was transformed into a limited liability company – Uniflex S.R.L.

Increasing the share capital of Selena Ukraine Ltd.

On 15 July 2019, the General Meeting of Selena Ukraine Ltd. adopted a resolution to increase the share capital of UAH 21 million (EUR 724.2 thousand). The cash contribution was made in three tranches on 26 July 2019 (EUR 400 thousand), on 29 July 2019 (EUR 7.2 thousand) and on 7 August 2019 (EUR 317 thousand). After the capital increase, no changes took place in the shareholding of Selena FM S.A. and Selena S.A. in the company's share capital.

Merger of Selena CA L.L.P. with TOO Big Elit

On 18 November 2019, Selena CA L.L.P. merged (as the acquiring company) with TOO Big Elit (the acquired company).

Subsequent events after the balance sheet date

Increase in the share capital of POLYFOAM Yalitim Sanayi ve Tic Ltd.

On 9 January 2020, the General Meeting of POLYFOAM Yalitim Sanayi ve Tic Ltd. adopted a resolution to increase the company's share capital by TRY 17.9 million. The increase in the share capital of the subsidiary was registered on 20 February 2020. After the capital increase, the proportion of shareholdings of Selena S.A. and Carina Silicones Sp. z o.o. in the share capital of POLYFOAM did not change.

Establishment of the subsidiary Selena Mexico S.de R.L. de C.V.

On 13 February 2020, a newly formed company of Selena Group trading as Selena Mexico S.de R.L. de C.V. based in Guadalajara (Federal Republic of Mexico) was registered in the business register kept by the Commercial Register in Guadalajara. The subsidiary's share capital is MXN 10 thousand (fixed) and MXN 1,484.00 thousand (variable). These figures stated in Mexican peso are the equivalent of PLN 2.1 thousand and PLN 312.2 thousand, respectively, at the average exchange rate of the National Bank of Poland of 14 February 2020, at 1 MXN = 0.2104 PLN). 95% stake in the subsidiary was acquired by Selena FM S.A. and 5% by Selena S.A.

Change of registered office of Selena Industrial Technologies Sp. z o.o.

On 9 March 2020, the Management Board of Selena FM SA adopted a resolution regarding the change of the registered office of Selena Industrial Technologies Sp. z o.o. The company's new place of business is Dzierżoniów, ul. Pieszycka 3. The change was registered in the National Court Register on 3 April 2020.

Operating segments and information on revenues

3. Operating segments and information on revenues

Accounting policies

Revenue from contracts with customers
Selena Group's business includes production and sale of construction chemicals, building materials for doors and windows, and general building accessories. Adoption of the new IFRS 15 as of 1 January 2018 did not change the recognition of the Group's revenue except for presentation changes.

The criteria for recognition of revenues are presented below.

Sale of goods
Revenue from the sale of finished goods, merchandise and materials are recognized once a performance obligation is satisfied by transferring the promised good (i.e. an asset) to the customer. An asset is transferred once the customer obtains control of that asset.
In the case of the sale of goods, the transfer of control takes place once the ownership and insurance risk are transferred to the customer, which usually takes place upon delivery of the goods to the customer.
Goods are delivered to the customer using transport services provided by the Group or by the customer. Selena Group usually sells goods using trade credit.
Where different goods are sold under one contract, the consideration should be allocated to each of the obligations. Selena Group has no material contracts with more than one performance obligation.

Selena Group recognizes revenue from the sale of goods at the transaction price received in return for the goods transferred. The transaction price is the expected price to be received, to the extent it is highly likely that there will be no significant reduction in revenues in the future, after deduction of volume discounts/rebates.
Selena Group offers its customers discounts depending on the volume of purchases. In accordance with IFRS 15, volume discounts are treated as variable consideration. Revenue from from variable consideration is recognized to the extent that there is a high likelihood that no significant part of revenues will be reversed. When calculating rebates, Selena Group uses information on the business made with the customer during the reporting period. Obligations to return remuneration are recognized in relation to the anticipated volume rebates due to customers on account of sales completed by the end of the reporting period and are presented under a separate balance sheet heading ("Obligations to return remuneration").

The organisation structure of Selena Group is managed through the data received from the individual geographic segments (countries), later on referred to as operating segments. To the extent permitted by IFRS 8 (e.g. subject to the combination criteria in relation to the following aspects: type of products and services, type of production processes, type or group customers for products and services, methods used in the distribution of products and the type of regulatory environment), they are grouped based on the similarity of location, characteristics of the business and economic environment, and are grouped into the following reporting segments:

- European Union
- Eastern Europe and Asia
- North America and South America

Detailed allocation of operating segments to reporting segments is presented in Note 2.2.

Operating results of the segment are primarily measured using the net profit/loss and EBITDA ratio (an alternative measurement of results, which does not measure cash or liquidity and whose calculation may vary from one entity to another), which result directly from reports that are the basis for preparation of the consolidated financial statements. EBITDA is calculated according to the following formula:

EBITDA = Net profit/ loss + Income tax +/- share in the profit/loss of the affiliate +/- financial expenses/revenues + Depreciation/amortisation

The accounting principles used for preparation of the financial data for reporting segments comply with the Group's accounting policy described in these financial statements.

The financial statements of the entire Group are regularly reviewed by the Management Board of the Parent Company for the purpose of decision-making. The Management Board is also responsible for allocation of resources in the Group.

The profit of a segment is the profit generated by the individual segments without allocation of the administrative expenses, Management Board’s remuneration, finance income and expenses, and income tax charge. Non-allocated assets include settlements on account of current and deferred income tax. Revenues are allocated to segments based on the seller’s registered office location.

Management of the Selena Group’s funding sources, financial revenues and expenses management and the taxation policy are operated at the Group level and are not allocated to operating segments.

Prices in the transactions between the operating segments are determined on an arm's length principle as in the transactions with third parties.

The tables below show date on the revenues and profits of the individual reporting segments.

Selena Group does not have key customers, i.e. such which would account for more than 10% of the its revenues.

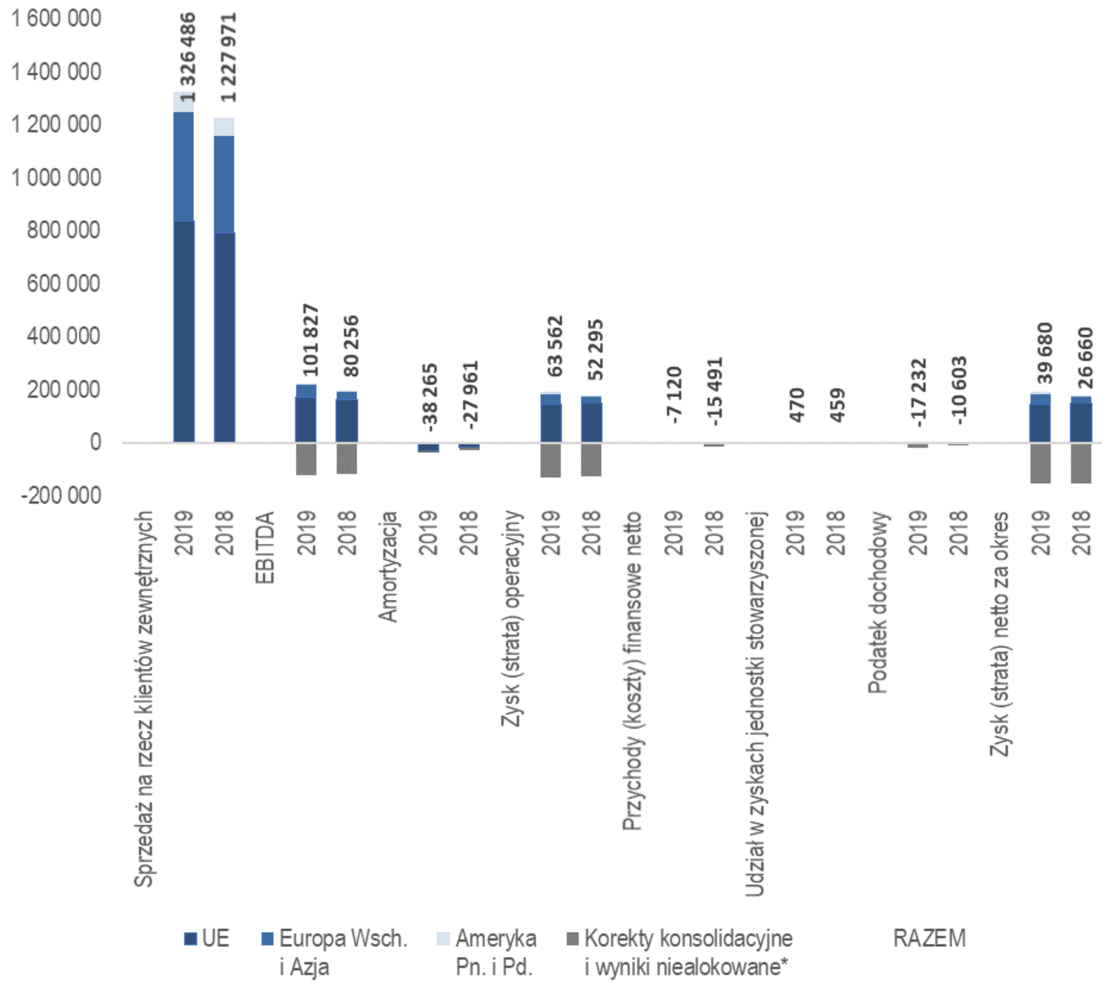
12 months ended 31 December 2019 Figures in PLN thousand	EU	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non-allocated results*	Total
Sales to external customers	838,686	411,525	76,275	1,326,486	0	1,326,486
Sales within a segment	884,457	36,362	0	920,819	-920,819	0
Sales between segments	259,678	3,617	0	263,295	-263,295	0
EBITDA	174,740	43,384	7,083	225,207	-123,380	101,827
Depreciation/ amortisation	-29,052	-3,847	-123	-33,022	-5,243	-38,265
Operating profit (loss)	**145,688**	**39,537**	**6,960**	**192,185**	**-128,623**	**63,562**
Net financial revenue/ (expenses)	0	0	0	0	-7,120	-7,120
Share in profit of an associated undertaking	0	470	0	470	0	470
Income tax	0	0	0	0	-17,232	-17,232
Net profit (loss) for the period	**145,688**	**40,007**	**6,960**	**192,655**	**-152,975**	**39,680**
Capital expenditure	24,628	2,349	8	26,985	-	26,985

* consolidation adjustments, general and administrative expenses, result on financial activities and income tax

12 months ended 31 December 2018 Figures in PLN thousand	EU	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments and non-allocated results*	Total
Sales to external customers	794,381	364,628	68,962	1,227,971	0	1,227,971
Sales within a segment	762,990	20,007	0	782,997	-782,997	0
Sales between segments	236,055	4,234	0	240,289	-240,289	0
EBITDA	165,210	29,158	3,345	197,713	-117,457	80,256
Depreciation/ amortisation	-16,086	-2,919	-132	-19,137	-8,824	-27,961
Operating profit (loss)	**149,124**	**26,239**	**3,213**	**178,576**	**-126,281**	**52,295**
Net financial revenue/ (expenses)	0	0	0	0	-15,491	-15,491
Share in profit of an associated undertaking	0	459	0	459	0	459
Income tax	0	0	0	0	-10,603	-10,603
Net profit (loss) for the period	**149,124**	**26,698**	**3,213**	**179,035**	**-152,375**	**26,660**
Capital expenditure	23,726	2,006	12	25,744	-	25,744

* consolidation adjustments, general and administrative expenses, result on financial activities and income tax

The table below show the revenues and profits of the individual reporting segments for 2019 and 2018.

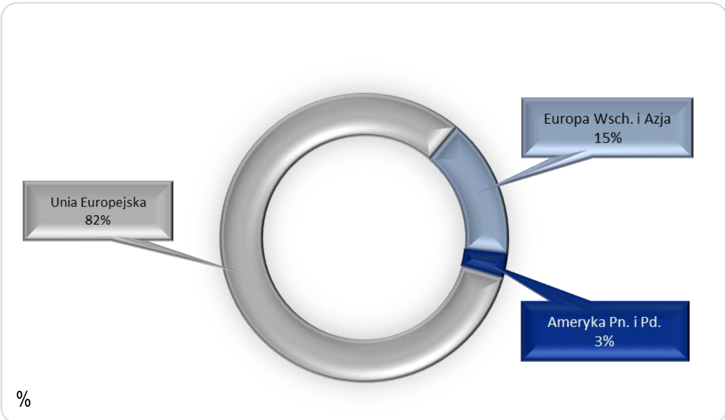


The tables below show selected assets of the individual geographic segments as at 31 December 2019 and 31 December 2018.

Figures in PLN thousand	EU	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments	Total
	as at 31.12.2019					
Segment assets	1,014,280	194,036	33,317	1,241,633	-423,939	817,694
Investment in an associate	0	5,954	0	5,954	0	5,954
Non-allocated assets	0	0	0	0	0	25,095
Total assets	**1,014,280**	**199,990**	**33,317**	**1,247,587**	**-423,939**	**848,743**

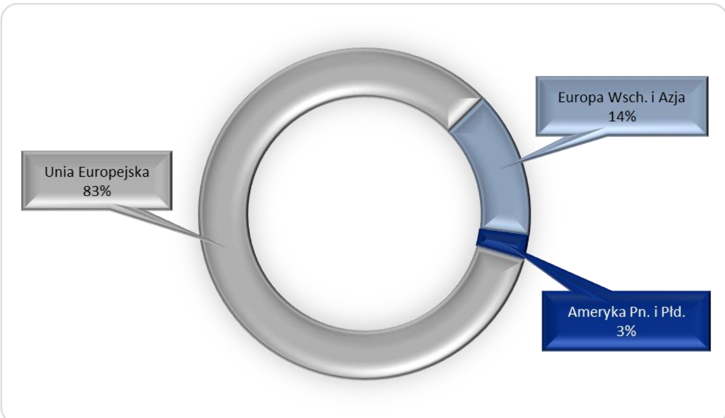
Figures in PLN thousand	EU	Eastern Europe and Asia	N&S America	Total segments	Consolid. adjustments	Total
	as at 31.12.2018					
Segment assets	992,304	170,885	28,159	1,191,348	-427,713	763,635
Investment in an associate	0	6,058	0	6,058	0	6,058
Non-allocated assets	0	0	0	0	0	25,546
Total assets	**992,304**	**176,943**	**28,159**	**1,197,406**	**-427,713**	**795,239**

segment assets as at 31.12.2019



of the given segment in the total segments before consolidation adjustments

segment assets as at 31.12.2018



% of the given segment in the total segments before consolidation adjustments

Notes
to the consolidated income statement

4. Notes to the consolidated income statement

4.1 Operating costs

Costs by type

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Use of materials and energy	755,228	719,573
Cost of employee benefits	202,145	175,775
Depreciation/ amortisation	38,265	27,961
External services, including:	137,998	139,857
transport and logistics	*58,780*	*51,380*
advisory	*23,348*	*24,998*
lease, property protection	*12,505*	*18,922*
repair services, machine maintenance	*5,456*	*4,432*
IT services	*2,699*	*2,605*
telecommunication services	*1,806*	*1,706*
sales intermediation services	*4,901*	*4,725*
car maintenance	*1,190*	*1,155*
marketing services	*844*	*918*
certificates, attestations	*2,350*	*1,827*
debt collection services	*882*	*2,050*
other	*23,237*	*25,139*
Entertainment and advertising costs	13,571	9,387
Business travel costs	9,655	8,941
Taxes and charges	5,939	4,242
Other costs by type	10,683	8,226
Cost of goods and materials sold	77,791	72,913
Direct cost of recharged services	1,111	767
Operating costs	**1,252,386**	**1,167,642**
change in the balance of finished goods	1,413	-4,553
Total	**1,253,799**	**1,163,089**
including:		
Cost of sales	928,940	870,084
Selling and marketing costs	216,852	193,646
General and administrative expenses	108,007	99,359

Cost of employee benefits

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Salaries	165,186	142,566
Social insurance costs	29,865	27,019
Other costs of employee benefits	7,094	6,190
Total cost of employee benefits	**202,145**	**175,775**
including:		
Cost of sales	54,685	48,616
Selling and marketing costs	95,449	82,361
General and administrative expenses	52,011	44,798

Depreciation/amortisation

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Depreciation of tangible assets*	31,521	21,562
Amortisation of intangible assets	6,552	6,211
Depreciation/amortisation of other assets	192	188
Total depreciation/amortisation	**38,265**	**27,961**
including:		
Cost of sales	16,562	15,095
Selling and marketing costs	10,515	4,338
General and administrative expenses	11,188	8,528

* Including depreciation of the right-of-use assets of PLN 11,182,000

4.2 Other operating revenues and operating costs

Other operating income

Accounting policies

Subsidies

In the event of a reasonable certainty that the subsidy will be obtained and that Selena Group will meet all the associated requirements, then government subsidies are recognised at their fair value.

Government subsidies for costs are recognised in profit or loss as other operating income for a period necessary to match them with the expenses they are to offset.

If the subsidy relates to an asset, it is recognised as deferred income and recognised in profit or loss (other operating income) using the straight-line method over the expected useful life of the underlying assets. The goal is to ensure the matching of subsidy revenues with their corresponding expenses.

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Profit from disposal of non-financial fixed assets	501	532
Subsidies	2,364	3,052
Damages	837	128
Provisions released	490	2,270
Liabilities cancelled	354	2,327
Other	1,711	3,525
Total other operating income	**6,257**	**11,834**

Revenues from subsidies primarily relate to the projects carried out by Selena Labs Sp. z o.o. (PLN 1,653 thousand) and Oligo Sp. z o.o. (PLN 376 thousand) in the area of R&D activity. Other forms of public aid obtained by the Group companies relate to tax exemptions, as described in Note 5 of these financial statements.

Other operating costs

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Loss on disposal of non-financial fixed assets	63	199
Liquidation of other current assets	4,912	0
Uncollectible receivables written off	369	754
Costs of impairment, liquidation of inventories and net inventory-taking difference*	0	4,789
Damages, penalties, fines	1,678	1,469
Provisions raised	213	89
Other	905	1,905
Total other operating costs	**8,140**	**9,205**

** in 2019, costs on account of impairment and liquidation of inventories as well as the result of the inventory settlement were presented in the cost of sales*

Impairment of non-financial fixed assets

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Creating an impairment allowance for tangible and intangible assets*	4,879	10,637
Reversing an impairment allowance for fixed assets at Selena CA	-603	0
Other	37	0
Impairment of non-financial fixed assets*	**4,313**	**10,637**

*impairment allowance created in 2019 relates to the value of individual fixed assets in Selena Iberia slu (IT systems)

Impairment of financial assets

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Reversal of an impairment allowance for receivables	-1,099	-1,227
Impairment allowances for receivables	4,028	5,806
Impairment of financial assets	**2,929**	**4,579**

4.3 Financial revenues and expenses

Accounting policies

Foreign exchange differences arising from both operating and financing activities are recognised in financial revenues and financial expenses.

Financial revenues

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
FX gains	3,650	4,075
Interest on deposits and bank accounts	205	224
Other interest	390	183
Dividends and profit sharing	21	155
Derivative financial instruments	0	1,125
Result on the exercise of the call option (Uniflex S.R.L)	1,347	0
Other financial revenues	12	38
Total financial revenues	**5,625**	**5,800**

Financial expenses

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
FX losses	3,475	13,376
Interest on bank and other loans	4,582	5,932
Interest on leases	1,004	375
Other interest	88	324
Forward contracts	2,042	0
Other financial expenses	1,554	1,284
Total financial expenses	**12,745**	**21,291**

In 2019, Selena FM S.A. hedged its expected cash flows with FX forwards and other financial instruments. In accordance with the its hedging policy ("FX Risk Management Policy"), Selena Group hedges an active part of currency exposure by entering into forward contracts mainly for the following currency pairs: EUR/RUB, EUR/KZT, EUR/PLN, USD/PLN and RON/PLN, CZK/PLN and HUF/PLN. On average, in 2019, Selena FM S.A. had open forward contracts hedging the rates up to EUR 5 million for each currency pair. Selena Group uses such financial instruments solely to hedge its FX risk and does not use them for speculative purposes. Selena Group does not use hedge accounting within the meaning of IFRS 9.

as at 31 December 2019, Selena Group had open forward contracts. The loss on the valuation of unrealised instruments was PLN 372 thousand (including valuation of open contracts of PLN 96 thousand as at 31 December 2019). The loss on exercise of the contracts was PLN 1,670 thousand. The result on transactions was recognised in financial expenses under "Forward contracts".

as at the day of publication of these financial statements, Selena FM S.A. held financial instruments in place relating to EUR/PLN (EUR 1.0 million), EUR/RUB (EUR 1.5 million), EUR/BRL (EUR 0.3 million), EUR/CNY (EUR 0.15 million), HUF/PLN (HUF 100 million), CZK/PLN (CZK 3 million) and RON/PLN (RON 2 million) with settlement dates falling until 25 February 2021.

Taxation

5. Taxation

Accounting policies

Current tax
Liabilities and receivables arising from the tax for the current period and the previous periods are measured at the amount of the expected payment to the revenue authorities (refundable by the revenue authorities) using the tax rates and tax legislation that legally or actually applied at the balance sheet date.

Deferred income tax
Deferred tax assets and liabilities are recognized for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
A deferred tax liability is recognised in relation to all positive temporary differences

- except when the deferred tax liability arises as a result of initial recognition of a goodwill or an initial recognition of an asset or liability in a transaction other than business combination, and at the time of the transaction it did not have any impact on the PBT or taxable income or tax loss, and
- in the case of positive temporary differences arising from investments in subsidiaries or associates, and shares in joint ventures, except when the dates of reversal of the temporary differences are controlled by the investor and it is likely that in the foreseeable future the temporary differences will not be reversed.

Deferred tax assets are recognised for all the negative temporary differences, also for unutilised tax reliefs and unutilised tax losses carried to subsequent years, in the amount of the likely taxable income that will be generated to use the differences, assets and losses:

- except when the deferred tax assets relating to negative temporary differences are a result of initial recognition of a goodwill or an initial recognition of an asset or liability in a transaction other than business combination, and at the time of the transaction it did not have any impact on the PBT or taxable income or tax loss, and
- in the case of negative temporary differences from investments in subsidiaries or associates, or shares in joint ventures, the deferred tax asset is recognised in the balance sheet at the amount of the likely income arising in the foreseeable future from reversal of the temporary differences, allowing for the negative temporary differences to be covered.

The book value of the deferred tax asset is reviewed at each balance sheet date and is appropriately reduced to reflect the lower likelihood of receipt of a taxable income that would allow to cover, partly or in full the realisation of the deferred tax asset. The unrecognised deferred tax asset is revisited at each balance sheet date and is recognised up to the value that reflects the likelihood of future taxable income that will allow the asset to be recovered.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply in the period when the asset or liability is realised. The measurement is based on the tax rates (and legislation) applicable at the balance sheet date or such rates/legislation which, at the balance sheet date, are certain to apply in the future.

A taxable income for the items recognised outside of a profit or loss, is recognised outside of a profit or loss: in other comprehensive income for the items presented in other comprehensive income, or directly in equity for the items recognised directly in equity.

Deferred tax assets are set off against deferred tax liabilities only where there is a legal title for the set-off between the current tax receivable and payable, and the deferred tax relates to the same taxpayer and the same tax authority.

VAT
Revenues, expenses, assets and liabilities are recognised net of VAT, except where:

- the VAT paid at the acquisition of assets or services cannot be recovered from the tax authorities; then such VAT is recognised as a part of the price of the assets or as a part of the cost item, and
- the receivables and liabilities that are recognised together with the VAT.

The net amount of the VAT that can be recovered or that is due to the tax authorities is recognised in the balance sheet as a part of other short-term assets or non-financial liabilities.

Important estimates and assumptions

The likelihood of using deferred tax assets against future tax gains is based on the budget of Selena Group's companies. Subsidiaries and the Parent Company recognize in their books deferred tax assets up to the amount in which it is probable that they will achieve a taxable profit against which deductible temporary differences might be applied.

Tax payment and other regulated areas of business (including customs or currency-related activities) may be subject to inspection by administrative bodies, which have the right to impose high fines and sanctions. In the absence of well-established legislation in Poland and in certain CEE countries, legal provisions in these countries tend to be unclear and inconsistent. There are frequent differences in interpretation of tax regulations both within State administration bodies and between such bodies and corporations, which gives rise to uncertainties and conflicts. As a result, the tax risk in Poland and in certain CEE countries is substantially higher than in the countries with a more mature tax system.

Tax charge

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Current income tax:		
Current income tax charge	17,485	9,067
Corrections to the current income tax from previous years	190	0
Deferred income tax:		
Connected with origination and reversal of temporary differences	-443	1,536
Tax disclosed in consolidated income statement	**17,232**	**10,603**

Reconciliation of the effective tax rate

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Profit (loss) before tax	**56,912**	**37,263**
Tax at the Polish statutory rate of 19%	**10,813**	**7,080**
Costs/ (revenues) not included in the taxation basis	4,052	7,707
Tax effect of the losses not included in the taxation basis	3,320	2,317
Corrections to the current income tax from previous years	189	0
Use of tax losses from previous years	-1,269	-7,867
Tax relief for research and development	-1,211	-380
Use of the deferred asset relating to trademarks	1,723	1,723
Tax relief for operations in the Special Economic Zone	0	-140
Effect of other tax rates in foreign affiliates	-385	163
Tax at the effective tax rate	**17,232**	**10,603**
Effective tax rate	**30%**	**28%**

Losses not included in the deferred tax

Figures in PLN thousand	period of deducting losses from the moment of occurrence	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Selena Romania SRL	7 years	3,855	3,331
Selena Bohemia s.r.o.	5 years	0	114
Selena CA L.L.P.	10 years	0	742
Selena Italia srl	No term	0	1,199
Selena Bulgaria Ltd.	5 years	115	0
Selena Nantong Building Materials Co., Ltd.	5 years	1,793	0
POLYFOAM Yalitim Sanayi ve Tic Ltd.	5 years	925	2,522
Selena Iberia slu	No term	6,528	0
Selena Malzemeleri Yapi Sanayi Tic. Ltd.	5 years	0	2,017
Selena Sulamericana Ltda	No term	0	1,604
Selena USA Specialty Inc.	No term	0	340
Taurus Sp. z o.o.	5 years	137	49
Carina Sealants Sp. z o.o.	5 years	12	11
Oligo sp. z o.o.	5 years	298	76
TOO Selena Insulations	10 years	3,812	188
Total		**17,475**	**12,193**
Tax effect of unrecognised losses		**3,320**	**2,317**

Accumulated tax losses

Figures in PLN thousand	as at 31.12.2019
Unappropriated tax losses from previous years for which no deferred tax asset was recognised	118,758
Tax losses for 2019 for which no deferred tax asset was recognised	17,475
Total unappropriated tax losses for which no deferred tax asset was recognised	136,233
Potential positive tax effect according at the average tax rate of 22%	29,971

Deferred income tax

Deferred tax liabilities	as at 31.12.2019	from 01.01.2019 to 31.12.2019	as at 31.12.2018	from 01.01.2018 to 31.12.2018
Deferred tax liabilities				
Net value of fixed assets under lease	50	-285	334	-334
Difference between the net book value and tax value of non-financial fixed assets	7,038	325	6,713	118
Interest not received	3,881	1,010	2,871	1,083
Valuation of trademarks	1,294	-314	1,608	-524
Other	261	-252	556	-480
Deferred tax liabilities	**12,524**	**485**	**12,082**	**-137**
Deferred tax liabilities after set-off	**3,843**	**-**	**3,143**	**-**
Deferred tax assets on negative temporary differences				
Tax losses to be deducted*	9,794	-2,658	7,136	293
Impairment allowances for receivables	1,478	210	1,688	-364
Provision for the cost of audit of financial statements	42	-6	36	13
Provision for the cost of unutilised leaves	435	62	497	70
Retirement provision	254	-74	180	-36
Accruals	1,679	598	2,277	-34
Interest payable	209	-141	68	-35
Liability in respect of unpaid remuneration	377	-54	323	6
Impairment allowance for inventory	524	309	833	-209
Tax relief for investments in the special economic zone	9,276	1,723	10,999	1,723
Deferred tax relating to margin elimination	3,006	-52	2,954	-100
Unrealised FX losses	1,064	360	1,425	-192
Other	1,410	-701	710	111
Deferred tax assets	**29,548**	**-424**	**29,126**	**1,246**
Deferred tax assets after set-off	**20,867**	**-**	**20,187**	**-**
Change in deferred tax reflected in equity	**-**	**504**	**-**	**-427**
Change in deferred tax reflected in net profit	**-**	**-443**	**-**	**1,536**

** including as at 31 December 2019, PLN 9.4 million relates to deferred tax assets on tax losses of Selena Iberia slu*

The table below presents a reconciliation of changes in deferred tax assets and liabilities in the balance sheet with the respective credits/charges recognised in the profit and loss account and other comprehensive income.

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Credit/charge to the profit and loss account in respect of a change in deferred tax assets	-424	1,246
Set-off of assets and liabilities	-259	613
FX differences arising on balance sheet valuation in foreign affiliates	3	-76
Balance sheet change in deferred tax assets	**-680**	**1,783**
Credit/charge to the profit and loss account in respect of a change in deferred tax liabilities	-21	226
Deferred tax recognised in other comprehensive income	504	-427
Set-off of assets and liabilities	259	-613
FX differences arising on balance sheet valuation in foreign affiliates	-42	140
Balance sheet change in the deferred tax liabilities	**700**	**-674**

Activity in special economic zones

Orion PU Sp. z o.o operated in the Special Economic Zone (SEZ) of Wałbrzych until 28 May 2017 under the permit of 27 May 1998. Under Article 6.1 of the Act on special economic zones of 6 October 2003, the company converted its permit for operations in the SEZ, by using the regulations pertaining to the tax exemptions specified in Article 5 of the Act in lieu of Article 12 of the Act on special economic zones of 20 October 1994, in the revision of 31 December 2000. Under the Act, the company uses the Special Economic Zone Fund, designed to support new investments in Poland until 2023. By the end of 2019, the company paid in a total of PLN 11,572.8 thousand to the Fund. The company received subsidies totalling PLN 3,051.6 thousand to the technological projects involving changes in the technology of production of polyurethane foams.

Libra Sp. z.o.o. has been operating in the Special Economic Zone (SEZ) of Wałbrzych under the permit of 21 November 2000. On 29 May 2014, Libra sp. z o.o. obtained a new permit for conducting business in the Wałbrzych SEZ, expiring on 31 December 2025. According to the permit, if the company invests at least PLN 15 million until the end of 2021, and increases employment by 10, a tax relief will be granted as 40% of the expenses incurred, but not more than PLN 9 million. The company can use a tax relief until the end of 2025. In 2019, the Management Board of Libra Sp. z o.o. decided to suspend the use of the permit due to the discontinuation of the plant expansion project. At the same time, an adjustment was made to the income tax for 2018, which included tax exemption related to operations in the zone.

Notes
to the consolidated
statement of financial position

6. Notes to the consolidated statement of financial position

6.1 Financial instruments

Accounting policies

Financial assets

Selena Group allocates financial assets to the appropriate category depending on the business model adopted for managing financial assets and considering the characteristics of contractual cash flows for a particular financial asset.

Financial assets measured at amortised cost are debt instruments held to collect contractual cash flows which include only payments of principal and interest. To this category Selena Group classifies trade receivables, loans granted to non-Group entities, other financial receivables and cash and cash equivalents.

Financial assets are measured at amortised cost using the effective interest rate. After initial recognition, trade receivables and other financial receivables are measured at amortised cost using the effective interest rate method, including impairment allowances. Any trade receivables and other other financial receivables maturing within less than 12 months from the date of origination (i.e. without a financing element) and not transferred to factoring, are not discounted and are measured at nominal value.

Financial assets measured at fair value through other comprehensive income are:
- debt instruments whose flows contain only payments of principal and interest, and which are held to collect contractual flows and for sale;
- investments in equity instruments.

Changes in the carrying amount are measured through other comprehensive income, except for impairment losses (gains), interest income and foreign exchange differences concerning debt instruments and dividends, which are reflected in profit or loss. Assets measured at fair value through other comprehensive income include shares in other entities at the time of initial recognition.

Financial assets measured at fair value through profit or loss are financial instruments which do not meet the criteria for measurement at amortised cost or fair value through other comprehensive income. In the category of assets measured at fair value through profit or loss Selena Group classifies derivatives, factored trade receivables where the terms of the factoring agreement result in the respective amounts to be no longer treated as receivables, as well as loans which have not passed the SPPI test and dividends. Forward transactions (forward contracts) are recognised in the books as at the transaction date.

Financial liabilities

Financial liabilities measured at fair value through profit and loss are measured at fair value taking account of their market value at the balance sheet date, excluding the sale transaction costs. Changes in the fair value of such instruments are reflected in profit or loss.

Financial liabilities measured at amortised cost are the liabilities that are not financial instruments measured at fair value through profit and loss. They are measured using the effective interest rate method.

Trade liabilities are recognised at the amount due.

An expired financial liability is derecognised from the statement of financial position if the obligation stated in the contract has been discharged, cancelled or expired. An exchange of a debt instrument with an instrument with substantially different terms effected between the same entities, is recognised as expiry of the original financial liability and recognition of a new financial liability. Similarly, modification of the terms of an agreement relating to an existing financial liability is recognised as expiry of the original liability and recognition of a new liability. The difference between the respective book values of the exchanged instruments is recognised in profit or loss.

Financial instruments held the Group are classified below.

Figures in PLN thousand	as at 31.12.2019	as at 31.12.2018 restated data*	as at 01.01.2018 restated data*
Financial assets measured at amortised cost			
Trade receivables	237,892	217,910	206,435
Loans granted	*0*	*45*	*45*
Restricted cash	*378*	*487*	*606*
Other	*125*	*434*	*413*
Total – Other long term financial assets measured at amortised cost	503	966	1,064
Loans granted	*5*	*409*	*498*
Promissory notes, cheques	*214*	*676*	*4,718*
Settlements with customers on account of credit card payments	*5,023*	*473*	*0*
Other	*2,845*	*2,306*	*1,482*
Total other short term financial assets measured at amortised cost	8,087	3,864	6,698
Cash and cash equivalents	85,653	45,501	52,921
Financial assets measured at fair value through profit and loss			
Other short-term financial assets – forward contracts	0	277	309
Financial assets measured at fair value through other comprehensive income			
Other long-term financial assets – shares in non-listed companies	819	819	819
Total	**332,954**	**269,337**	**268,246**

*The reasons and effects of restating the data published in prior periods are contained in Note 1.3

Figures in PLN thousand	as at 31.12.2019	as at 31.12.2018 restated data*	as at 01.01.2018 restated data*
Financial liabilities measured at amortised cost			
Bank and other loans	*103,907*	*145,387*	*155,318*
Lease liabilities	*37,729*	*11,212*	*13,392*
Other short-term financial liabilities – Liabilities on account of prepaid trade receivables	*12,725*	*5,325*	*9,599*
Total – Interest-bearing debt	154,361	161,924	178,309
Trade liabilities	143,986	132,116	164,628
Investment liabilities	*1,591*	*1,709*	*1,481*
Amounts owed to minority interests (36% of Uniflex shares)	*0*	*5,885*	*0*
Other	*2,429*	*2,777*	*2,981*
Total – Other short term financial liabilities (not specified above)	4,020	10,371	4,462
Amounts owed to minority interests (36% of Uniflex shares)	*0*	*0*	*5,708*
Other	*109*	*110*	*176*
Total – Other long-term financial liabilities	109	110	5,884
Financial liabilities measured at fair value through profit or loss			
Other short-term liabilities – forward contracts	96	0	0
Total	**302,572**	**304,521**	**353,283**

*The reasons and effects of restating the data published in prior periods are contained in Note 1.3

The Group's exposure to various risk types related to financial instruments is discussed in Note 7.2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets listed above.

Fair value of financial instruments that Selena Group held as at 31 December 2019 and 31 December 2018 was not materially different from the values presented in the financial statements for the respective years:

– with regard to short-term instruments, the potential effect of the discount is not material;

– the instruments relate to the transactions concluded on market terms.

Based on the methods used to determine fair value, Selena Group classifies individual assets and liabilities into the following categories:

– Level 1: assets and liabilities measured on the basis of quoted prices in active markets for identical instruments.

– Level 2: assets and liabilities measured using valuation techniques based on directly or indirectly observable market quotes or other inputs based on market quotes.

– Level 3: assets and liabilities measured using valuation techniques whose inputs are not based on observable market data.

as at 31 December 2019, the Group included financial instruments measured at fair value to Level 2 fair value measurement, i.e.:

– The fair valuation of forward contracts through profit or loss – valuation using observable inputs other than quoted prices (the present value of future cash flows is determined based on forward FX rates as at the balance sheet date).

– Valuation of shares in non-listed companies – in 2019, Selena Group did not recognise the result from the fair valuation of these assets in other comprehensive income.

6.1.1 Trade receivables

Accounting policies

After initial recognition, **trade receivables** are measured at amortised cost using the effective interest rate method, including impairment allowances. Any trade receivables maturing within less than 12 months from the date of origination (i.e. without a financing element) and not transferred to factoring, are not discounted and are measured at nominal value.

At each balance sheet date, Selena Group assesses the expected credit losses whether or not there are any indications of impairment. Selena Group uses the model of expected credit losses over the life of the receivables. As part of the model, an individual analysis is made (for receivables from significant external customers) and a collective analysis (for other external customers due to the similar characteristics of credit risk)

Additionally, balances of receivables constituting the basis for calculating impairment allowances are reduced by the amounts of insured receivables.

A collective analysis of exposures is made using a simplified matrix of allowances for individual age ranges based on expected credit losses over the entire life of the receivables (based on default ratios determined using historical data for the last 4–5 years. We have not identified any future factors that would materially affect the level of default rates. The expected credit loss is calculated when the receivable is recognised in the statement of financial position and is updated on each subsequent day ending the reporting period, depending on the number of days in arrears.

Figures in PLN thousand	as at 31.12.2019	as at 31.12.2018
Gross trade receivables	263,407	248,156
Impairment allowance on trade receivables	-25,516	-30,246

Detailed information on the classification of financial receivables to the individual credit risk degrees, as well as the methodology for calculating impairment allowances are presented in Note 7.2.3.

6.1.2 Cash

Accounting policies

Cash and short-term deposits presented in the consolidated statement of financial position include cash in bank and cash on hand, and short-term deposits with an original maturity not longer than 3 months.

The balance of cash and cash equivalents presented in the consolidated statement of cash flows consists of the items specified above.
Selena Group classifies cash and cash equivalents as financial assets at amortized cost, taking into account impairment allowances determined in accordance with the expected loss model. To estimate the expected loss for cash and cash equivalents, the risk of non-payment has been determined other data, particularly credit worthiness assessment carried out by rating agencies or granted to counterparties as part of the internal credit risk assessment process, adjusted for the assessed probability of default.

The analysis showed that these assets have a low credit risk as at the reporting date. As at 31 December 2019, the calculation of the allowance showed that its amount was negligible, so Selena Group decided not to make an adjustment.

Overdrafts are presented in the statement of financial position as a component of bank and other loans, under short-term or long-term liabilities, as appropriate.

Figures in PLN thousand	as at 31.12.2019	as at 31.12.2018
Cash in bank	64,615	40,328
Cash on hand	375	227
Cheques (up to 3 months)	7,744	3,982
Short-term deposits	12,914	92
Cash in transit	5	872
Total	**85,653**	**45,501**

Credit risk related to cash and cash equivalents is described in Note 7.2.3.

6. 1.3 Bank and other loans

Accounting policies

At initial recognition, bank debt, loans and debt securities are measured at fair value less the cost of the debt.
After the initial recognition, interest-bearing loans and debt securities are then measured at amortised cost on an effective interest rate basis.

When determining the amortised cost, one takes into account the cost of obtaining a loan, and the discounts or premiums obtained in connection with the liability.
Revenues and expenses are presented in the profit and loss account upon derecognition of the liability from the balance sheet, and as a result of a settlement effected using the effective interest rate.

The incurred bank loans are presented in the table below

Ref	Loan type	Maturity date	as at 31.12.2019 Long-term portion	as at 31.12.2019 Short-term portion	as at 31.12.2018 restated data* Long-term portion	as at 31.12.2018 restated data* Short-term portion	as at 01.01.2018 restated data* Long-term portion	as at 01.01.2018 restated data* Long-term portion
1	Working capital loan	03/2019	0	0	30,312	0	0	33,902
2	Rotary	07/2021	2,968	0	46,798	0	0	26,686
3	Rotary	12/2021	16,252	3	0	15,551	0	47,635
4	Working capital loan	06/2021	39,014	0	27,855	0	9,428	0
5	Working capital loan	06/2020	0	9,220	0	2,742	0	18,260
6	Working capital loan	01/2019	0	0	0	2,713	0	3,844
7	Working capital loan	07/2020	0	10,596	0	0	0	0
8	Working capital loan	11/2021	3,738	0	7,986	0	0	0
9	Other	Different	7,543	14,573	5,205	6,225	6,037	9,115
10.	Investment loan	08/2018	0	0	0	0	0	411
			69,515	**34,392**	**118,156**	**27,231**	**15,465**	**139,853**

**The reasons and effects of restating the data published in prior periods are contained in Note 1.3*

Specification of loans

1) Receivables Limit Agreement (item 1 in the list above) of 25 June 2009 for Selena FM and subsidiaries Orion PU sp. z o.o., Libra sp. z o.o. and Selena S.A. Variable interest rate based on 1M WIBOR/EURIBOR/LIBOR + margin. The limit is secured by a power of attorney to the borrowers' current accounts maintained by the bank; mortgage on the real estate of Orion PU Sp. z o. o. up to PLN 52.5 million with the assignment of rights under the insurance policy and blank promissory notes issued by the borrowers together with the promissory note declarations. On 29 March 2019 an agreement was concluded with the bank to terminate the receivables limit agreement.

2) Multi-product agreement of 22 February 2011, as amended (item 2 in the list), for Selena FM S.A. and subsidiaries Carina Silicones sp. z o.o., Selena S.A. and Orion PU sp. z o.o. The agreement provides for a total credit limit of PLN 70 million. It bears a variable rate of interest: 1M WIBOR/EURIBOR + margin. The loan is secured by mortgages on the properties owned by the subsidiaries: Carina Silicones Sp. z o.o., Selena Labs Sp. z o.o. and Tytan EOS Sp. z o.o., a registered pledge on the properties and inventories of Carina Silicones Sp. z o.o. and Tytan EOS Sp. z o.o., together with assignment of insurance policies for the above assets, a registered pledge on the inventories of Orion PU Sp. z o.o., Libra Sp. z o.o. and Selena S.A. together with assignment of insurance policies for the above assets and civil law guarantees of Tytan EOS Sp. z o.o. and Libra Sp. z o.o. The borrowers also issued blank promissory notes to the bank, alongside promissory note declarations.

3) Multipurpose agreement of 26 November 2013, as amended (item 3 in the list), for Selena FM and subsidiaries Selena S.A., Tytan EOS sp. z o.o. and Izolacja–Matizol Sp. z o.o., Orion PU Sp. z o.o. and Libra Sp. z o.o. On 30 January 2019, an Annex was signed to the premium multi-purpose credit agreement – the multi-purpose credit line was increased to the maximum level of PLN 80 million. At the same time the availability period was extended to 31.12.2021. The interest rate is variable, based on 1M WIBOR/EURIBOR + margin. The facility is secured by an assignment of all the material receivables from specified debtors of Selena S.A., assignment of insurance rights, a statement of submission to debt enforcement, power of attorney to current accounts and a legal mortgage on a property owned by Libra sp. z o.o.

4) Multi-purpose credit limit agreement of 5 August 2016 (item 4 in the list), as amended, for Selena FM S.A, and its subsidiaries: Orion PU Sp. z o.o., Carina Silicones Sp. z o.o., Libra Sp. z o.o., Izolacja Matizol Sp. z o.o. and Selena S.A. The credit limit amount totals PLN 90 million. The interest rate is variable based on 1M WIBOR + margin for the funds used in PLN, 1M EURIBOR + margin for the funds used in EUR and 1M LIBOR for the funds used in USD. The loan is secured by an ordinary joint mortgage on the properties owned by Izolacja Matizol Sp. z o.o and registered pledge on the properties owned by Izolacja Matizol Sp. z o.o alongside assignment of insurance policies for the above assets, and transfer of trade receivables due from the debtors of Selena S.A., together with assignment of insurance policies for the above receivables. The borrowers also issued blank promissory notes to the bank, alongside promissory note declarations.

5) Credit agreement (item 5) of 9 June 2017, as amended, concluded by the subsidiary Selena Vostok. The financing amount is RUB 300 million. On 15 July 2019, the subsidiary Selena Vostok signed an annex to the credit agreement. The annex extends the availability period of the financing to 30 June 2020. Other significant terms of the facility granted remain unchanged. Variable interest rate depending on the rate of the Russian Central Bank. The granted credit limit will be used to finance the company's working capital requirements. It is secured by a corporate guarantee of Selena FM S.A.

6) In January 2019, loan No. 6 from the summary above was repaid.

7) On 11 April 2019, Selena FM S.A. signed a guarantee line agreement for the foreign affiliates of Selena FM Group. The available limit amount will be up to EUR 6.5 million; the maximum validity period of bank guarantees and letters of credit will be 13 months. The facility will be secured by accession of foreign affiliates to the debt: Selena S.A. and Carina Silicones sp. o.o together with the power of attorney to use the funds in the bank accounts. Under this agreement, the subsidiary Selena Vostok signed a credit agreement for RUB 350 million.

8) A multi-line credit agreement of 16 November 2018 signed by Selena FM S.A. The credit limit amount is EUR 12 million. The loan term is 36 months and the loan purpose is to finance working capital needs. It bears a variable interest rates at 1M EURIBOR/ WIBOR/ LIBOR + margin. The facility is secured by (i) a mortgage on the property owned by Orion PU up to EUR 18 million along with the assignment of rights under the insurance contract for this property; (ii) debt-joining by Selena S.A., Orion PU Sp. z o.o., Carina Silicones Sp. z o.o. and Libra Sp. z o.o. along with power of attorney, and a statement of submission to debt enforcement under Article 777 of the Code of Civil Procedure.

9) Loans for different purposes incurred by the Group’s foreign affiliates (including: Selena Iberia: PLN 19.4 million), in different currencies and with different maturities.

Subsequent events after the balance sheet date

On 23 April 2020, an annex was signed to the guarantee and LCs line. The annex increased the amount of the guarantee line to EUR 10.5 million. At the same time, the original contract period was extended for another 13 months and the subsidiary Orion PU Sp. z o.o. joined the debt by granting a power of attorney to its bank account.

Credit agreement terms

As part of the loan agreements signed by the Parent Company separately or jointly with its subsidiaries, Selena FM S.A. undertook to maintain certain financial ratios at the levels agreed with banks. As at 31 December 2019, Selena Group maintained the consolidated financial ratios at the levels required by the lenders.

Security for the bank debt

The table below shows a collective summary of the main assets held as security for bank debt.

Security type	Security value (figures in PLN m)
Tangible assets (mortgage/pledge)	86.0
Inventories	48.7
Trade receivables from non-related parties	42.6

In addition to the security items presented in the table above, other securities are used, including:

- a declared current account turnover
- a corporate guarantee of another Selena Group company
- intercompany receivables
- blank promissory note.

6.1.4 Reconciliation of the debt balance

The table below presents information on changes in the level of debt on cash flows items and non-cash changes in 2019.

Figures in PLN thousand	Bank loans	Leases	Other financial liabilities	Total
Debt as at 1 January 2019	**145,387**	**11,212**	**5,885**	**162,484**
Changes resulting from cash flows, including:	**-46,540**	**-14,505**	**-3,973**	**-65,018**
financing received	85,995	0	0	85,995
repayment of principal	-127,952	-14,151	0	-142,103
interest and fees paid	-4,583	-354	0	-4,937
purchase of additional shares in a subsidiary	0	0	-3,973	-3,973
Non-cash changes, including:	**5,060**	**41,022**	**-1,816**	**44,266**
lease agreements signed	0	40,372	0	40,372
interest and fees accrued	4,582	1,004	0	5,586
FX differences	478	-39	-469	-30
exercise of the option to buy back shares in a subsidiary	0	0	-1,347	-1,347
other	0	-315	0	-315
Debt balance as at 31 December 2019	**103,907**	**37,729**	**96**	**141,732**

The table below presents information on changes in the level of debt on cash flows items and non-cash changes in 2018.

Figures in PLN thousand	Bank loans	Leases	Other financial liabilities	Total
Debt as at 1 January 2018	**152,129**	**13,392**	**5,708**	**171,229**
Changes resulting from cash flows, including:	**-15,177**	**-5,931**	**0**	**-21,108**
financing received	98,245	0	0	98,245
repayment of principal	-107,379	-5,558	0	-112,937
interest and fees paid	-6,043	-373	0	-6,416
Non-cash changes, including:	**8,435**	**3,751**	**177**	**12,363**
lease agreements signed	0	3,104	0	3,104
interest and fees accrued	5,932	373	0	6,305
FX differences	-392	274	177	59
change in respect of purchase of an entity	0	0	0	0
presentation change of loans received	2,895	0	0	2,895
Debt balance as at 31 December 2018	**145,387**	**11,212**	**5,885**	**162,484**

6.1.5 Lease liabilities

Accounting policies

Lease liabilities are initially measured based on the present value of lease payments during the lease contract.
The payment included in the measurement includes:
• fixed payments less any lease incentives receivable
• variable lease payments that depend on an index or a rate
• amounts expected to be payable by the lessee under residual value guarantees
• the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
• payments of penalties for terminating the lease (where the estimated lease term provides for early lease termination).
The lease fees exclude variable lease payments that depend on external factors. Variable lease payments not included in the initial valuation of the lease liability are recognised directly in the profit and loss account.
Lease payments are discounted using the Company's incremental borrowing rate or the interest rate implicit in the lease (if available).

Lease term
The lease term determined by the Company includes:
• the non-cancellable lease period;
• periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
• periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.
The lease term begins at the commencement date and includes any rent-free periods provided to the lessee by the lessor.
Subsequent measurement of the lease liability
After the commencement date, Company measures lease liabilities by:
• increasing the carrying amount to reflect interest on the lease liability;
• reducing the carrying amount to reflect lease payments made; and
• remeasuring the carrying amount to reflect any reassessment or lease modifications.

Important estimates and assumptions

The estimates affecting the measurement of lease liabilities made by the Group include:
– identification of leases that meet the definition of a lease in accordance with IFRS 16;
– assumptions about the useful lives of leases (lease term);
– calculation of the incremental interest rates used to discount future cash flows.
Other significant assumptions are described in Note 1.3 of the Accounting Policy.

Figures in PLN thousand	as at 31.12.2019		as at 31.12.2018	
	Nominal value	Current value	Nominal value	Current value
Payments up to 1 year	15,122	14,250	5,287	5,082
*up to 3 months**	4,421	4,257	-	-
*3 to 12 months**	10,701	9,993	-	-
Payments from 1 to 5 years	22,902	21,653	6,288	6,130
Payments above 5 years	1,857	1,826	0	0
Total lease payments	**39,881**	**37,729**	**11,575**	**11,212**
Less financial expenses	-2,152	-	-363	-
Current value of minimum lease payments	**37,729**	**37,729**	**11,212**	**11,212**

* additional disclosure in accordance with IFRS 16

In 2018, Selena Group only recognised lease assets and liabilities in relation to financial lease in accordance with IAS 17. Details of adjustments recognised in connection with the adoption of IFRS 16 as at 1 January 2019 are provided in Note 1.3. Accounting policies.

Lease amounts recognised in the reporting period

The following lease amounts are disclosed in the income statement:

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Depreciation of the right-of-use assets	4,241	-
Interest expense	1,004	-
Costs related to short-term leases	1,778	-
Costs related to low-value leases	163	-
Costs related to variable lease payments	0	-

6.1.6 Revenues, expenses, profits and losses disclosed in the profit and loss account by categories of financial instruments

		year ended 31 December 2019			
Figures in PLN thousand	Note	WwWGpWF	AFwgZK	ZFwgZK	Total
Interest income/ expense (-)	4.3	0	404	-5,625	**-5,221**
FX gains/ losses (-)	4.3	0	-2,336	2,614	**278**
Impairment losses (-) of financial receivables	4.2	0	-4,028	0	**-4,028**
Reversal of losses of financial receivables	4.2	0	1,099	0	**1,099**
Gains/losses (-) of valuation of currency contracts	4.3	-372	0	0	**-372**
Gains/losses (-) on the exercise of financial instruments	4.3	-1,670	0	0	**-1,670**
Total net gain/loss		**-2,042**	**-4,861**	**-3,011**	**-9,914**

Terms used:

WwWGpWF – Financial assets/ liabilities measured at fair value through profit or loss

AFwgZK – Financial assets measured at amortised cost

ZFwgZK – Financial liabilities measured at amortised cost

Figures in PLN thousand	Note	year ended 31 December 2018 WwWGpWF	AFwgZK	ZFwgZK	Total
Interest income/ expense (-)	4.3	0	333	-6,337	**-6,004**
FX gains/ losses (-)	4.3	0	29,012	-38,615	**-9,603**
Impairment losses (-) of financial receivables	4.2	0	-5,806	0	**-5,806**
Reversal of impairment losses of financial receivables	4.2	0	1,227	0	**1,227**
Gains/losses (-) of valuation of currency contracts	4.3	-32	0	0	**-32**
Gains/losses (-) on the exercise of financial instruments	4.3	1,157	0	0	**1,157**
Total net gain/loss		**1,125**	**24,766**	**-44,952**	**-19,061**

Terms used:

WwWGpWF – Financial assets/ liabilities measured at fair value through profit or loss

AFwgZK – Financial assets measured at amortised cost

ZFwgZK – Financial liabilities measured at amortised cost

6.2 Non-financial assets and liabilities

6.2.1 Changes in the value of tangible fixed assets

Accounting policies

Property, plant and equipment are carried at cost reduced by depreciation and impairment allowances. The initial value of fixed assets includes the price of acquisition increased by all the costs directly relating to the purchase and adaptation of the asset for use. The expenditures incurred after the asset has been brought into use, including the maintenance and repair costs, are charged to the profit and loss when incurred.

Where fixed assets consist of components of a significant value, and have different useful lives, such components are presented separately. The costs of general repairs are also treated as components of fixed assets.

Depreciation begins when the asset is ready for use and continues until the asset is liquidated or slated for sale. Depreciable value is written off systematically over the useful economic life of the asset.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as per the table below.

Category of tangible fixed assets	Depreciation (in years)
Buildings and structures	from 10 to 40
Plant and machinery	from 3 to 22
Office equipment	from 3 to 5
Vehicles	from 3 to 8
Other fixed assets	from 3 to 10

This method of depreciation reflects consumption of the economic benefits of the asset.

Depreciable assets acquired under finance leases are depreciated over the useful life of the assets if the contract transfer the ownership of the leased asset to the lessee. If the contract does not provide for transfer of the leased asset to the lessee, then the asset is depreciated over the lease term.

Depreciation for fixed assets is recognised in profit and loss account in the relevant category for the asset.

Where an asset does not generate cash flows sufficiently independently, the recoverable amount is determined for the cash generating unit that the asset belongs to. Impairment allowances are recognised in the profit and loss account under impairment of non-financial assets.

A tangible asset may be derecognised after its disposal or if the entity expects no economic benefits from its continued use. Any profits or losses arising from derecognition of the asset (calculated as a difference between the possible net inflows from sale and the carrying amount of the asset) are recognised in the profit

If in the preparation of the financial statements any circumstances occurred indicating that the carrying amount of the asset may not be recoverable, the asset is tested for impairment. If any indications of impairment have been identified, and the carrying amount exceeds the estimated recoverable amount, then the value of such assets or cash generating units that the assets belong to is reduced to the recoverable amount. The recoverable amount is the higher of the two values: fair value decreased by the cost of sale or value-in-use. When estimating the value-in-use, the estimated future cash flows are discounted to the current value using the discount rate, and before taxation, reflecting the current market estimate for the time value of money and the risks pertaining to the asset.

and loss in the period when the derecognition took place. The amount of a recognised impairment allowance for tangible assets is presented under impairment of non-financial assets.

Fixed assets under construction include all the fixed assets that are during construction or assembly and are recognised at cost reduced by impairment allowances, if any. Fixed assets under construction are not depreciated until the construction is finished and the asset is brought into use.

The end value, useful life and the depreciation method of the assets are reviewed each year, and if necessary corrections are made, effective from the beginning of the current reporting period.

Borrowing costs

Accounting policies

Borrowing costs are capitalised as a part of the cost of generation of a fixed asset. Borrowing costs include interest calculated using the effective interest rate method, financial charges under a finance lease, and FX differences arising from external finance, up to the value of the interest expense correction.

Either in the year ended 31 December 2019 or 31 December 2018, no borrowing costs were capitalised.

The tables below show changes in the individual groups of fixed assets.

Figures in PLN thousand	Land	Buildings and structures	Plant and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Total
Initial value							
as at 1.01.2019	**22,331**	**169,830**	**201,349**	**17,142**	**20,117**	**5,644**	**436,413**
presentation change – IFRS 16 *	**0**	**-4,910**	**-9,290**	**-3,926**	**0**	**0**	**-18,126**
as at 01.01.2019 after the presentation change – IFRS 16	**22,331**	**164,920**	**192,059**	**13,216**	**20,117**	**5,644**	**418,287**
increases, including:	0	366	5,114	2,059	511	14,464	**22,514**
Acquisition	0	366	4,284	1,392	511	14,464	**21,017**
Transfers	0	0	640	0	0	0	**640**
Repurchase of fixed assets under lease	0	0	0	623	0	0	**623**
Other	0	0	190	44	0	0	**234**
Transfers from investments	0	781	5,287	44	315	-6,427	**0**
Transfers from investments in the right of use						-1,046	**-1,046**
Decreases, including:	0	778	1,969	2,719	2,837	621	**8,924**
Sale, Liquidation	0	134	1,927	2,719	2,770	161	**7,711**
Transfers	0	640	0	0	0	0	**640**
Other	0	4	42	0	67	460	**573**
FX diff. on translation of foreign subsidiary	-266	-1,276	-1,429	134	-149	-11	**-2,997**
as at 31.12.2019	**22,065**	**164,013**	**199,062**	**12,734**	**17,957**	**12,003**	**427,834**
Write-off							
as at 1.01.2019	**0**	**53,325**	**124,167**	**12,071**	**14,820**	**0**	**204,383**
presentation change – IFRS 16 *	**0**	**-1,475**	**-1,655**	**-1,111**	**0**	**0**	**-4,241**
as at 01.01.2019 after the presentation change – IFRS 16	**0**	**51,850**	**122,512**	**10,960**	**14,820**	**0**	**200,142**
increases, including:	0	5,938	11,712	1,670	1,775	0	**21,095**
Depreciation for the period	0	*5,938*	*11,346*	*1,302*	*1,753*	*0*	***20,339***
Repurchase of fixed assets under lease	0	*0*	*0*	*368*	*0*	*0*	***368***
Transfers	0	*0*	*137*	*0*	*0*	*0*	***137***
Other	0	*0*	*229*	*0*	*22*	*0*	***251***
Decreases, including:	0	275	1,921	2,504	2,748	0	**7,448**
Sale, Liquidation	0	*134*	*1,879*	*2,504*	*2,725*	*0*	***7,242***
Transfers	0	*137*	*0*	*0*	*0*	*0*	***137***
Other	0	*4*	*42*	*0*	*23*	*0*	***69***
FX diff. on translation of foreign subsidiary	0	-356	-931	48	-83	0	**-1,322**
as at 31.12.2019	**0**	**57,157**	**131,372**	**10,174**	**13,764**	**0**	**212,467**
Impairment allowances							
as at 1.01.2019	**0**	**12,206**	**7,534**	**0**	**1**	**703**	**20,444**
Increases	0	0	135	0	0	0	**135**
Decreases	0	279	325	0	1	124	**729**
FX diff. on translation of foreign subsidiary	0	-226	-174	0	0	0	**-400**
as at 31.12.2019	**0**	**11,701**	**7,170**	**0**	**0**	**579**	**19,450**
Net value							
as at 1.01.2019	**22,331**	**104,299**	**69,648**	**5,071**	**5,296**	**4,941**	**211,586**
as at 01.01.2019 after the presentation change – IFRS 16	**22,331**	**100,864**	**62,013**	**2,256**	**5,296**	**4,941**	**197,701**
as at 31.12.2019	**22,065**	**95,155**	**60,520**	**2,560**	**4,193**	**11,424**	**195,917**

** The item of property, plant and equipment presented in the published financial statements for 2018 contained tangible assets under finance lease. as at 1 January 2019, these assets were transfered to the table of movements concerning the right-of-use assets – Note 6.2.2.*

Figures in PLN thousand	Land	Buildings and structures	Plant and machinery	Vehicles	Other fixed assets	Fixed assets under construction	Total
Initial value							
as at 01.01.2018	**21,930**	**162,870**	**188,615**	**16,714**	**18,836**	**8,481**	**417,446**
increases, including:	0	394	3,826	1,318	1,627	16,120	**23,285**
Acquisition	0	394	3,755	1,310	1,616	16,120	**23,195**
Other	0	0	71	8	12	0	**91**
Transfers from investments	0	6,687	9,840	1,455	932	-18,914	**0**
Decreases, including:	0	206	3,099	2,213	1,407	78	**7,003**
Sale, Liquidation	0	157	3,098	2,213	1,328	50	**6,846**
Other	0	49	1	0	79	28	**157**
FX diff. on translation of foreign subsidiary	401	85	2,167	-132	128	35	**2,684**
as at 31.12.2018	**22,331**	**169,830**	**201,349**	**17,142**	**20,117**	**5,644**	**436,413**
Write-off							
as at 01.01.2018	**0**	**47,186**	**113,710**	**11,801**	**14,276**	**0**	**186,973**
increases, including:	0	5,964	11,724	2,198	1,761	0	**21,647**
Amortisation for the period	0	5,964	11,647	2,198	1,753	0	**21,562**
Other	0	0	77	0	8	0	**85**
Decreases, including:	0	157	3,057	1,829	1,358	0	**6,401**
Sale, Liquidation	0	157	3,057	1,829	1,302	0	**6,345**
Other	0	0	0	0	56	0	**56**
FX diff. on translation of foreign subsidiary	0	332	1,790	-99	141	0	**2,164**
as at 31.12.2018	**0**	**53,325**	**124,167**	**12,071**	**14,820**	**0**	**204,383**
Impairment allowances							
as at 01.01.2018	**0**	**6,238**	**2,831**	**0**	**0**	**579**	**9,648**
Increases	0	5,793	4,672	0	1	124	**10,590**
Decreases	0	0	0	0	0	0	**0**
FX diff. on translation of foreign subsidiary	0	175	31	0	0	0	**206**
as at 31.12.2018	**0**	**12,206**	**7,534**	**0**	**1**	**703**	**20,444**
Net value							
as at 01.01.2018	**21,930**	**109,446**	**72,074**	**4,913**	**4,560**	**7,902**	**220,825**
as at 31.12.2018	**22,331**	**104,299**	**69,648**	**5,071**	**5,296**	**4,941**	**211,586**

6.2.2. Changes in the value of the right-of-use asset

Accounting policies

The Company recognises right-of-use assets and lease liabilities at the commencement date of the leases as part of which the right to control the use of certain assets is conveyed for a certain period of time. The lease commencement date is the date when the lessor makes the leased asset available to the lessee.
The right-of-use asset is initially measured at cost, which comprises:
- the amount of the initial measurement of the lease liability;
- lease payments made on or before the lease contract date, reduced by any incentives received;
- any initial costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

After the lease commencement date, the right-of-use asset is measured at cost less depreciation and total impairment losses as well as the lease liability adjusted for impairment.

Depreciation is calculated using the straight-line method over the shorter of the estimated useful life or the lease period, which is as follows:

	Lease term (in years)
Buildings	2-5
Technical equipment and machines	2-5
Vehicles	2-5
Other	2-5

No depreciation is applied in the case of the right-of use assets relating to the perpetual usufruct of land.
If the lease transfers to the Company the title to the given asset before the end of the lease term or when the cost of the right-of use asset reflects the fact that the option of buying leased asset at its residual value will be exercised, the Company depreciates the right-of use asset from the moment of lease commencement until the end of the estimated economic life of the asset. In other cases, the right-of use asset is depreciated from the lease commencement date to the earlier of the two dates – the end of the economic life of the asset or the lease end date.

Important estimates and assumptions

The estimates affecting the measurement of right-of use assets made by the Group include:
– determination of contracts that meet the definition of a lease in accordance with IFRS 16;
– assumptions regarding the economic lives of the right-of use assets;
– calculation of incremental borrowing rates used for estimating the current value of the right-of-use assets.

Figures in PLN thousand	Buildings and structures	Plant and machinery	Vehicles	Total
Initial value				
status as at 01.01.2019 after the presentation change	**4,910**	**9,290**	**3,926**	**18,126**
Impact of implementation of IFRS 16	11,176	0	7,110	**18,286**
as at 01.01.2019 after adoption of IFRS 16	**16,086**	**9,290**	**11,036**	**36,412**
increases, including:	10,909	5,364	2,224	**18,497**
Signing new leases	*10,909*	*5,364*	*2,224*	***18,497***
Transfers from investments from fixed assets under construction	0	0	1,046	**1,046**
Decreases, including:	320	9	762	**1,091**
Repurchase, Liquidation	*5*	*9*	*762*	***776***
Modification of leases	*315*	*0*	*0*	***315***
FX diff. on translation of foreign subsidiary	-119	-58	-67	**-244**
as at 31.12.2019	**26,556**	**14,587**	**13,477**	**54,620**
Write-off				
status as at 01.01.2019 after the presentation change	**1,475**	**1,655**	**1,111**	**4,241**
increases, including:	5,685	1,222	4,275	**11,182**
Amortisation for the period	*5,685*	*1,222*	*4,275*	***11,182***
Decreases, including:	2	0	424	**426**
Repurchase, Liquidation	*2*	*0*	*424*	***426***
FX diff. on translation of foreign subsidiary	-41	-12	-28	**-81**
as at 31.12.2019	**7,117**	**2,865**	**4,934**	**14,916**
Net value				
as at 1.01.2019	**14,611**	**7,635**	**9,925**	**32,171**
as at 31.12.2019	**19,439**	**11,722**	**8,543**	**39,704**

6.2.3. Intangible fixed assets

Accounting policies

If an intangible asset is acquired separately, it is measured at cost. If an intangible asset is acquired in a business combination, the cost of that intangible asset is based on its fair value at the date of acquisition. After initial recognition, intangible assets are carried at cost less amortisation and impairment. The expenditure on internally generated intangible assets, except the expenditure on development work, is not capitalised and is recognised in the cost of the period when it was incurred.

Intangible assets are amortised throughout the period of their use, and are tested for impairment each time when indications of impairment are identified. The period and method of amortisation of such assets are reviewed at least at the end of each accounting year.
Intangible assets that had not been put into use by the balance sheet date, are tested for impairment each year or more often – if during the reporting period there is an indication that the carrying amount may not be recoverable.
The estimated economic useful life of software licences is 2-5 years, and 10-40 years for trademarks.

Goodwill arising on acquisition of an entity is initially recognised at the purchase price constituting the excess of:

- the sum of (i) payment made (ii) amount of any non-controlling interests in the acquired entity and (iii) in the case of combination of entities in fair value stages as at the take-over of a share in the capital of the acquired entity, previously owned by the acquiring entity;
- over the net value of the identifiable assets and liabilities acquired.

If the net amount of the identifiable assets and liabilities acquired exceeds the payment for the acquired entity, Selena Group recognises the gain on bargain purchase directly in the profit or loss of the period in which the entity was acquired.

After the initial recognition, goodwill is reported at cost less any accumulated impairment allowances. The impairment test is carried out once a year or more often if required. Goodwill is not amortised.

Changes in the expected life or consumption of economic benefits flowing from the asset are recognised by changing the amortisation period or method, as appropriate, and are treated as changes in estimates. The amortisation write-offs for intangible assets with a limited life are recognised in profit and loss in the item that corresponds to the function of amortised asset.

Useful lives are reviewed each year and if needed are corrected effective from the beginning of the current reporting period.

Any profits or losses arising from derecognition of an intangible asset from the statement of financial position are measured as a difference between the net inflows from sale and the carrying amount of the asset, and are recognised in the profit and loss in the period at the time of the derecognition.

as at the acquisition date, the goodwill acquired is allocated to each of cash-generating units that can benefit from the synergy of the combination. Each unit or group of units to which goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment defined by IFRS 8 Operating Segments.

An impairment allowance is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill was allocated. Where the recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment allowance is recognised.

Where goodwill is a part of a cash-generating unit and part of the operations within this unit is sold, the goodwill associated with the sold business is included in its carrying amount when determining gains or losses from the sale of such activity. In such circumstances, goodwill is sold based on the relative value of the business sold and the value of the part of the cash-generating unit retained.

Changes in intangible assets

Figures in PLN thousand	Goodwill	Software	Trademarks	Other	Intangible assets under development	Total
Initial value						
as at 1.01.2019	**20,241**	**30,856**	**25,080**	**15,507**	**7,346**	**99,030**
Impact of implementation of IFRS 16*	0	0	0	1,749	0	**1,749**
as at 01.01.2019 after adoption of IFRS 16	**20,241**	**30,856**	**25,080**	**17,256**	**7,346**	**100,779**
Increases, including:	**0**	**540**	**4**	**1,447**	**4,689**	**6,680**
Acquisition	0	540	4	820	4,689	**6,053**
Acquired right to perpetual usufruct of land – IFRS 16	0	0	0	627	0	**627**
Transfers from investments	0	1,399	0	1,626	-3,025	**0**
Decreases, including:	**0**	**94**	**0**	**132**	**21**	**247**
Sale, Liquidation	0	94	0	132	21	**247**
FX diff. on translation of foreign subsidiary	36	-89	-104	-91	-24	**-272**
as at 31.12.2019	**20,277**	**32,612**	**24,980**	**20,106**	**8,965**	**106,940**
Write-off						
as at 1.01.2019	**0**	**14,235**	**16,616**	**5,210**	**0**	**36,061**
Increases, including:	**0**	**3,374**	**1,646**	**1,532**	**0**	**6,552**
Amortisation for the period	0	3,374	1,646	1,532	0	**6,552**
Decreases, including:	**0**	**85**	**0**	**127**	**0**	**212**
Sale, Liquidation	0	85	0	127	0	**212**
FX diff. on translation of foreign subsidiary	0	-49	-22	-38	0	**-109**
as at 31.12.2019	**0**	**17,475**	**18,240**	**6,577**	**0**	**42,292**
Impairment allowances						
as at 1.01.2019	**7,416**	**0**	**0**	**5**	**0**	**7,421**
Increases/ decreases:	**0**	**0**	**0**	**1,510**	**3,229**	**4,739**
Impairment allowances	0	0	0	1,515	3,229	**4,744**
Write-off of the allowance	0	0	0	-5	0	**-5**
FX diff. on translation of foreign subsidiary	-4	0	0	0	0	**-4**
as at 31.12.2019	**7,412**	**0**	**0**	**1,515**	**3,229**	**12,156**
Net value						
as at 1.01.2019	**12,825**	**16,621**	**8,464**	**10,292**	**7,346**	**55,548**
as at 01.01.2019 after adoption of IFRS 16	**12,825**	**16,621**	**8,464**	**12,041**	**7,346**	**57,297**
as at 31.12.2019	**12,865**	**15,137**	**6,740**	**12,014**	**5,736**	**52,492**

** measurement of the acquired perpetual usufruct right of land for the purpose of IFRS 16. The total value of future conditional perpetual usufruct fees land use as at 31.12.2019 amounts to PLN 2,374 thousand and is presented in the table above under Other intangible assets.*

A significant part of the net value of software as at 31 December 2019 is represented by the ERP system – Microsoft Dynamics AX 2012 in the area relating to the system dedicated for Poland: PLN 11,653 thousand (PLN 12,357 thousand as at 31 December 2018). The system was deployed in March 2017, and 31 December 2024 was adopted at the end of its useful life.

Figures in PLN thousand	Goodwill	Software	Trademarks	Other	Intangible assets under development	Total
Initial value						
1 January 2018	**20,411**	**30,114**	**24,758**	**11,886**	**6,345**	**93,514**
Increases, including:	**0**	**906**	**14**	**627**	**4,888**	**6,435**
Acquisition	0	808	12	86	4,861	**5,767**
Other	0	98	2	541	27	**668**
Transfers from investments	0	474	0	3,568	-4,042	**0**
Decreases, including:	**0**	**859**	**0**	**826**	**0**	**1,685**
Sale, Liquidation	0	859	0	166	0	**1,025**
Other	0	0	0	660	0	**660**
FX diff. on translation of foreign subsidiary	-170	221	308	252	155	**766**
31 December 2018	**20,241**	**30,856**	**25,080**	**15,507**	**7,346**	**99,030**
Write-off						
1 January 2018	**0**	**11,829**	**14,693**	**4,150**	**0**	**30,672**
Increases, including:	**0**	**3,192**	**1,836**	**1,823**	**0**	**6,851**
Amortisation for the period	0	3,094	1,834	1,283	0	**6,211**
Other	0	98	2	540	0	**640**
Decreases, including:	**0**	**859**	**0**	**825**	**0**	**1,684**
Sale, Liquidation	0	859	0	165	0	**1,024**
Other	0	0	0	660	0	**660**
FX diff. on translation of foreign subsidiary	0	73	87	62	0	**222**
31 December 2018	**0**	**14,235**	**16,616**	**5,210**	**0**	**36,061**
Impairment allowances						
1 January 2018	**7,367**	**0**	**0**	**0**	**0**	**7,367**
Increases	**0**	**0**	**0**	**5**	**0**	**5**
FX diff. on translation of foreign subsidiary	49	0	0	0	0	**49**
31 December 2018	**7,416**	**0**	**0**	**5**	**0**	**7,421**
Net value						
1 January 2018	**13,044**	**18,285**	**10,065**	**7,736**	**6,345**	**55,475**
31 December 2018	**12,825**	**16,621**	**8,464**	**10,292**	**7,346**	**55,548**

Goodwill

Important estimates and assumptions

In accordance with IAS 36, Selena Group carries out goodwill impairment tests at least once a year. This requires estimation of the value in use of the CGU to which the goodwill is allocated. The value in use is estimated by determining the future cash flows generated by the CGU based on the financial plans, and by determining the discount rate for calculation of the present value of such cash flows.

Based on an analysis of the models of future cash flows planned for 2020-2024 for the cash generating units (CGUs) corresponding to the specified companies, no need for a goodwill impairment was identified. Due to materiality, Note 6.2.5 presents the assumptions regarding an impairment test for the goodwill arising from acquisition of Uniflex S.R.L. and TOO Big Elit.

The table below shows the goodwill recognised in the balance sheet that arose as a result of acquisition of Group companies.

Figures in PLN thousand	as at 31.12.2019	as at 31.12.2018
Uniflex (Italy)	5,393	5,446
Oligo (Poland)	18	18
Tytan EOS (Poland)	874	874
Vostok (Russia)	1,578	1,395
Matizol (Poland)	715	715
Selena CA (Kazakhstan – ECC division) *	4,287	4,377
Total	**12,865**	**12,825**

* On 18 November 2019, Selena CA L.L.P. merged (as the acquiring company) with TOO Big Elit (the acquired company).

The table below shows changes in the goodwill occurring during the year.

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Goodwill arising on consolidation at the beginning of the period	**12,825**	**13,044**
FX differences arising on goodwill translation	40	-219
Total carrying amount at the end of the period	**12,865**	**12,825**

R&D expenditure

The table below shows the expenditures incurred on R&D activity.

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
R&D expenditure reflected in the profit and loss account	14,701	14,377

6.2.4 Other long term non-financial assets

In June 2009, Selena Nantong Building Materials Co., Ltd. (subsidiary) entered into a 50-year operating leasehold agreement for land.

The payments are depreciated on a straight-line basis during the term of the lease. This method of depreciation reflects consumption of the economic benefits of the asset.

6.2.5 Impairment of fixed assets

Important estimates and assumptions
Selena Group carries out impairment tests for tangible and intangible assets with a specified life (except goodwill), with such tests being undertaken only where internal or external indications of impairment exist. Impairment tests for fixed assets may use the method of discounted cash flows for the given CGU. In such as case, business assumptions and variables must be used such as the cost of capital and the residual growth rate, whose value and volatility is determined on the basis of a subjective judgement of the Management. Such judgement is based both on internal sources (budgets of individual subsidiaries, profitability forecasts) and external sources (publicly available macroeconomic and microeconomic data).

Given the existence of indications of impairment, as at 31 December 2019, the Parent Company tested for impairment non-current assets in Nantong Building Materials Co., Ltd and EURO MGA Products srl. There were no indications of impairment that would call for a similar test to be carried out in other subsidiaries.

Selena Nantong Building Materials Co., Ltd.

Due to the slower-than-planned increase in the value of sales of Selena Nantong Building Materials Co., Ltd resulting from the protracted trade agreement negotiations between China and the USA, as at 31 December 2019, the Management Board of the Parent Company carried out an impairment test for the entity's fixed assets, in accordance with IAS 36 Impairment. Based on the projected future cash flows generated by the company, no need was identified to create an additional impairment allowance for the fixed assets invested in Selena Nantong Building Materials Co., Ltd. In the previous reporting periods, impairment allowances of PLN 4,937 and PLN 4,259 thousand were posted for the value of buildings, structures and equipment in 2013 and 2016, respectively. As at 31 December 2019, the total impairment allowances (historical value) is PLN 9,196 thousand.

The test used a 5-year cash flow projection. For the purpose of the test, WACC before tax was taken at 10.6% and the residual growth rate at 2%.

Future cash flow projections include the continuation of the distribution model adopted in 2017 and the launch of innovative construction chemicals. If any material, negative deviations occur from the adopted action plan, in the future reporting periods it might be necessary to post an impairment write-down on the fixed assets of Selena Nantong.

The test also did not show a need to create an additional impairment allowance in the standalone report of the Parent Company in respect of the value of the assets invested in Selena Nantong Building Materials.

Selena Romania srl and EURO MGA Product srl

As the Parent Company failed to achieve the expected sales levels in the Romanian market in 2019, and due to the slower-than-expected growth of the dry mortars, wet plasters and ceramic adhesives divisions, the Management Board performed an impairment test for the fixed assets of Selena Romania srl and EURO MGA Product srl (a subsidiary of Selena Romania srl), in accordance with IAS 36 Impairment. Based on the projected future cash flows generated by the individual entities, no need was identified to create an additional impairment allowance for fixed assets. Last year, impairment allowances of PLN 9,278 thousand (RON 7,330 thousand) was posted for the value of buildings, structures and equipment.

The test used a 5-year cash flow projection. For the purpose of the test, WACC before tax was taken at 10.0% and the residual growth rate at 2%.

Future projections of cash flows include current operations in the Romanian market, particularly in the area of dry mortars and wet plasters, focused on implementation of innovative products and a further development of distribution combined with optimisation of production and logistics costs. If any material, negative deviations occur from the adopted action plan (in terms of market share increase and return on sales) and current macroeconomic projections for Romania, in the future reporting periods it might be necessary to post an impairment write-down on the fixed assets of Selena Romania srl and EURO MGA Product srl.

The test also did not show a need to create an additional impairment allowance in the standalone report of the Parent Company in respect of the value of the assets invested in Selena Romania srl and MGA Product srl.

Assumptions of impairment tests and sensitivity of the cash flow models

Selected model assumptions for the above tests are shown in the table below.

Cash Generating Unit	Uniflex	Big Elit	Selena Nantong	Selena Romania + EURO MGA
Assets tested	goodwill	goodwill	non-current assets	non-current assets
WACC before tax	12.1%	16.2%	10.6%	10.0%
Residual growth rate	-	2.5%	2.0%	2.0%
Impairment	none	none	none	none
Model sensitivity – impairment amount at (PLN '000):				
WACC before tax increased by 1 p.p.	*no allowance*	*no allowance*	*108*	*no allowance*
residual growth rate reduced by 1 p.p.	*no allowance*	*no allowance*	*no allowance*	*no allowance*
EBIT margin reduced by 1 p.p.	*no allowance*	*no allowance*	*3,231*	*2,199*

6.2.6 Investments accounted for using the equity method

as at 31 December 2019, Selena Group has one entity accounted for using the equity method: Hamil – Selena Co. Ltd. of Kimhae (South Korea), manufacturer of polyurethane foams and aerosols, and House Selena Trading Company Ltd (China), a distributor of Selena Nantong's products in China.

Value of the shares is presented in the table below.

				Net value of the shareholding	
Entity	Year acquired	Group's share in equity	Share value at the acquisition date	as at 31.12.2019	as at 31.12.2018
Hamil - Selena Co. Ltd	2001	30%	1,317	5,844	5,948
House Selena Trading Company Ltd.	2017	40%	110	110	110
Net value of shares				**5,954**	**6,058**

The key figures of Hamil – Selena Co. Ltd.:

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Revenue from sales	82,263	86,641
Net profit	8,464	7,385
Assets	73,579	68,492
Liabilities	21,550	21,577

In 2019, Selena S.A., which is the owner of shares in the associated undertaking Hamil - Selena Co. Ltd., acquired the right to dividend from the company of EUR 109.49 thousand in respect of the 2018 profit. The dividend was paid on 24 April 2019. The change in the value of shares in Hamil - Selena Co. Ltd. was affected only by foreign exchange differences from translation of the foreign affiliate.

The key figures of House Selena Trading Company Ltd. are presented in the table below.

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Revenue from sales	28,342	18,395
Net loss	-1,865	-1,736
Assets	5,491	2,025
Liabilities	9,829	4,549

Selena Group does not participate in the loss of the joint venture House Selena Trading Company Ltd. in accordance with the terms of the agreement. The change in the value of shares in House Selena Trading Company Ltd was affected only by foreign exchange differences from translation of the foreign affiliate.

6.2.7 Inventories

Accounting policies

Inventory is measured at the lower of: cost or net realisable amount. The cost of generation of finished good and work-in-progress consists of the cost of direct materials and labour and the relevant indirect products costs determined on the assumption of a normal use of production capacity.
The net realisable amount is estimated as the price of a sale effected in the ordinary course of business, less finishing costs and costs needed to finalise the sale.
The closing balance of inventory is measured by determining its value using the FIFO method.

Expired and defective inventories
Where inventories (materials, merchandise, finished goods) are expired or overdue, no later than at the end of the quarter in which this fact was identified, the Group's entity is required to create an impairment allowance for the value of the inventories to the net realisable value which is achievable for such inventories less selling costs.

If the inventories are not suitable for sale at all, the company should create a provision for the cost of its disposal.

Drop in sales prices below the inventory value
Where the book value of particular goods or products is lower than the NRV (net realisable value), the value of the inventories should be reduced to the value of the expected net realisable value). A comparison of the inventory valuation with the net realisable value should be carried out at least at the end of each year (or more often, if justified), and appropriate adjustments allowance should be made.

Free-moving inventories
If the particular index does not move or moves slowly, an impairment allowance is created for the value of the inventory at the end of each quarter.

Figures in PLN thousand	as at 31.12.2019	as at 31.12.2018
Materials	46,244	67,550
Work in progress	3,222	5,664
Finished goods	87,266	94,544
Merchandise	13,453	13,158
Total inventory, net	**150,185**	**180,916**
Impairment allowance for inventory	3,886	5,877
Total inventory, gross	**154,071**	**186,793**

Changes in the impairment allowance for inventories are presented in the table below.

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Impairment allowance for inventory at the beginning of the period	**5,877**	**4,623**
Recognition of an impairment allowance for inventory	1,845	2,616
Reversal of an impairment allowance for inventory	-734	-611
Utilisation of an impairment allowance for inventory	-3,084	-765
FX differences arising on translation	-18	14
Impairment allowance for inventory at the end of the period	**3,886**	**5,877**

6.2.8 Other short-term non-financial assets

The table below shows a specification of other short-term net non-financial assets as at the balance sheet date.

Figures in PLN thousand	as at 31.12.2019	as at 31.12.2018 restated data*	as at 01.01.2018 restated data*
VAT claimed	26,911	26,974	29,107
Prepayments for deliveries	5,986	6,184	3,933
Prepaid expenses	3,509	3,240	3,826
Other non-financial receivables	2,700	2,294	2,335
Other short-term non-financial assets	**39,106**	**38,692**	**39,201**

*The reasons and effects of restating the data published in prior periods are contained in Note 1.3

6.2.9 Provisions

Accounting policies

Provisions are raised where the entity has an obligation (legal or constructive) are a result of a past event, and it is likely that fulfilment of such obligation will cause an outflow of economic benefits, and the value of such obligation may be reliably estimated. If the entity expects that the costs covered by the provision will be returned, e.g. by the insurer, then the return is recognised as a separate asset, but only when it is practically certain that such a return will be realised. The provision costs are recognised in the profit and loss account less any returns received.

Where the time value of money plays a role, the value of the provision is determined by discounting the future cash flows to the present value using the discount rate that reflects the current market estimates of the time value of money, and the potential risk associated with such obligation. If such discounting method is used, the increase in the value of receivables over time is recognised as a financial revenue.

Provisions are presented as separate items of long-term or short-term liabilities, depending on the nature of the provision.

Accounting policies

Employees of the companies registered in Poland are given rights to retirement benefits under the Polish Labour Code. A retirement benefit is paid once-off when the employee retires. The value of the benefit depends on the years of service and the average remuneration of the employee. In the case of foreign companies, the rules for granting severance payments are regulated by the laws of the country concerned.
Where the local law or internal regulations of the entity impose on obligation of payment of a retirement benefit, the company makes a provision for future obligations on account of such payments to assign the related costs to their corresponding periods.

According to IAS 19, retirement benefits are defined programmes of post-employment benefits. The present value of such obligations is calculated at each balance sheet date. The obligation is equal to the discounted payments that will be made in the future, taking into account the employment turnover, and relating to the period until the balance sheet date. Demographic information and information of staff turnover are based on historical figures.

The table below shows changes in the balance of provisions.

	from 01.01.2019 to 31.12.2019			from 01.01.2018 to 31.12.2018		
Figures in PLN thousand	Provision for retirement benefits	Other provisions	Total	Provision for retirement benefits	Other provisions	Total
Long term						
Balance at the beginning of the period	**3,141**	**153**	**3,294**	**2,793**	**104**	**2,897**
Provisions raised	846	0	846	670	47	717
Provisions released	-371	0	-371	-286	0	-286
Provisions used	-30	0	-30	-100	0	-100
FX differences	-24	4	-20	64	2	66
Reclassification	64	907	971	0	0	0
Balance at the end of the period	**3,626**	**1,064**	**4,690**	**3,141**	**153**	**3,294**
Short term						
Balance at the beginning of the period	**5**	**6,314**	**6,319**	**5**	**11,491**	**11,496**
Provisions raised	0	871	871	0	1,015	1,015
Provisions released	-5	-490	-495	0	-2,270	-2,270
Provisions used	0	-1,002	-1,002	0	-3,947	-3,947
FX differences	0	-102	-102	0	25	25
Reclassification	0	-383	-383	0	0	0
Balance at the end of the period	**0**	**5,208**	**5,208**	**5**	**6,314**	**6,319**

In 2019, Selena Nantong created a provision of PLN 0.7 million for costs related to production safety in accordance with the new legal requirements. A part of the provision of PLN 0.5 million was used in connection with the costs incurred.

In addition, Selena S.A. used a provision of PLN 0.5 million. The provision was used in connection with customs proceedings (Note 8.1).

6.2.10 Other financial liabilities

The table below shows a specification of other non-financial liabilities as at the balance sheet date.

Figures in PLN thousand	as at 31.12.2019		as at 31.12.2018 restated data*		as at 01.01.2018 restated data*	
	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
Payroll liabilities	0	19,251	0	13,556	0	13,119
Other taxes and insurance payable	0	9,098	0	8,556	0	8,503
VAT payable	0	9,189	0	7,068	0	7,240
Prepayments for deliveries	0	1,955	0	2,121	0	4,625
Accrued expenses	0	247	0	1,741	0	0
Deferred income	1,598	4,170	1,844	3,994	1,820	4,494
Total other non-financial liabilities	**1,598**	**43,910**	**1,844**	**37,036**	**1,820**	**37,981**

*The reasons and effects of restating the data published in prior periods are contained in Note 1.3

6.3. Equity

6.3.1 Share capital

Nominal value per share

The structure of the Parent Company's share capital is presented in the table below

Series	Type	Nominal value of a share (PLN)	Number of shares	Value of shares (PLN)
A	Preference shares	0.05	4,000,000	200,000
B	Ordinary shares	0.05	13,724,000	686,200
C	Ordinary shares	0.05	5,000,000	250,000
D	Ordinary shares	0.05	110,000	5,500
			22,834,000	**1,141,700**

All the shares are fully paid-up.

Shareholder rights

Series A are preference shares, carrying two votes each. Series B, C and D shares carry one share each. The shares of all series carry the same dividend rights and the same return on capital.

Major shareholders

The table below shows the stake in the share capital and the voting power of the major shareholders.

Shareholder	Share types	Number of shares acquired	Stake in share capital	Number of votes	Share in votes at the AGM
Syrius Investments S.a.r.l.*	Registered preference shares	4,000,000	17.52%	8,000,000	29.81%
	Bearer shares	13,813,000	60.49%	13,813,000	51.48%
Quercus Towarzystwo Funduszy Inwestycyjnych S.A. **	Bearer shares	1,367,141	5.99%	1,367,141	5.09%

** entity controlled by Krzysztof Domarecki, President of the Management Board of Selena FM S.A. On 29 November 2019, he indirectly acquired 9,763,000 shares in the Parent Company – the acquisition was made through Syrius Investments S.a.r.l. by a merger – the acquisition of Ad Niva Sp. z o.o.*
***as at 7 July 2016*

6.3.2 Other reserves

The items of reserves are presented in the table below.

Figures in PLN thousand	Value
Fair value of the warrants allocated as part of the incentive programme	1,633
Reserve capital earmarked for the purchase of own shares	8,000
Other reserves	**9,633**

6.3.3 Non-controlling interests

The table below shows changes in non-controlling interests.

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
as at 1 January 2019	557	490
a) increase	**181**	**71**
– profit for the financial year	*181*	*59*
– FX differences on translation of a foreign affiliate	*0*	*12*
b) decrease	**11**	**4**
– FX differences on translation of a foreign affiliate	*5*	*0*
– payment of dividend	*6*	*4*
as at 31 December 2019	**727**	**557**

6.3.4 FX differences on translation of a foreign affiliate

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
FX differences arising on translation of foreign affiliates	3,331	604
FX differences on measurement of investments in the net assets of a foreign affiliate	-2,512	-4,869
Income tax	-504	427
Total	**315**	**-3,838**

Figures in PLN thousand	as at 31.12.2019	as at 31.12.2018
FX differences arising on translation of foreign affiliates	8,552	4,713
FX differences on measurement of investments in the net assets of a foreign affiliate	-41,337	-38,322
Income tax	1,389	1,893
Total	**-31,396**	**-31,716**

The item “FX differences arising from measurement of investments into net assets of a foreign affiliate” includes the elements of the intragroup transactions (loans granted by Selena FM S.A. to its subsidiaries and the amounts payable by these entities), which is the opinion of the Management Board are classified as an element of investments into the net assets of these companies. The settlements are eliminated from the consolidation, but the FX differences arising on their valuation, presented in the standalone accounts of the individual companies, are removed from finance revenues (or expenses as the case might be) at the consolidated level and are presented in the statement of comprehensive income.

Risk

7. Risk

7.1 Important estimates and assumptions

Preparation of financial statements in accordance with IFRS approved by the EU requires making accounting estimates and assumptions with regard to the future events or uncertainties existing at the balance sheet date. The Management Board of the Parent Company also uses a professional judgment when applying the Group's accounting policy. The estimates and assumptions give rise to the risk of possible corrections to the balance sheet assets and equity & liabilities in the next reporting periods. Details on each of these estimates and judgments are included in other notes alongside information on the calculation basis for each item in the financial statements that is affected by this information.

The adopted estimates, assumptions and judgments include in particular:
- Impairment of financial assets (Note 7.2.3);
- Impairment of non-financial assets (including: goodwill, tangible assets and intangible assets – Note 6.2.5);
- Estimated useful of tangible assets and intangible assets (6.2.1; 6.2.3),
- Possibility to use the deferred tax assets (Note 5);
- Uncertainty of estimates and judgments made in relation to lease accounting (Note 6.1.5; 6.2.2)
- Estimation of the pension provision and other provisions (Note 6.2.9)

In 2019, no significant changes were made to the assumption areas and methods, taking into account the adopted new IFRS 16 described in Note 1.3. The business and macroeconomic assumptions underlying the estimates and judgements are updated on an ongoing basis depending on changes in the environment of the Parent Company and the Group companies, and business plans and projections.

7.2 Financial risk management

When analysing the goals and rules of financial risk management in the Group, the Management Board considers the following factors:
- Specific nature of the sector and its typical transactions and connection with the Group's external environment
- Location of the individual entities and the resulting operating, financial, business, legal and tax implications
- Distribution of operating and management roles between the Group companies
- Planned growth of the Group companies and the related demand for capital
- The Group's micro and macroeconomic environment.

On the basis of the analysis of these factors, the Management Board considers the following financial risks:
- FX risk
- Interest rate risk
- Credit risk
- Liquidity risk
- Other (specific risks).

The table below presents the Management Board's approach to individual types of financial risk.

Risk	Exposure	Measurement	Mitigation
Market risk – currency rates	Future commercial transactions Financial assets and liabilities not denominated in the national currency (PLN)	Cash flow projections Sensitivity analysis	Forward transactions Multi-currency credit lines
Market risk – interest rates	Bank and other loans Cash	Sensitivity analysis	Short-term exposure
Credit risk	Cash and cash equivalents Other short-term financial assets (cheques) Trade receivables and other financial receivables Shares in other entities	Exposure aging Use of internal and external information to assess the probability of default	Diversification of bank deposits, credit limits and letters of credit
Liquidity risk	Bank and other loans Lease liabilities Other financial liabilities Trade liabilities	Cash flow projections	Availability of committed credit lines

7.2.1 Currency risk

For the purpose of risk analysis, currency risk is defined as a risk of volatility of the future cash flows denominated in other currencies than the Selena Group's functional currency as a result of FX fluctuations. In the case of the Group, the risk arises from the fact that a major portion of the transactions is conducted beyond Poland and settled in other currencies that the functional currency. In consequence, the FX fluctuations affect the cash flows, expressed in the functional currency, generated by the Group companies (both on the income and cost side) and the open balance sheet positions (net assets) expressed in foreign currency.

The Group's exposure to currency risk includes current assets and liabilities exposed to fluctuations in the following currencies: EUR, USD, HUF, UAH, CZK, BRL, BGN, CNY, KRW, GBP, CHF, CAD, BYN, RUB, RON, KZT, TRY. Selena Group uses selected financial instruments (mainly forward transactions) to hedge the value of future cash flows denominated in foreign currencies and the net asset value of its foreign operations. Selena Group hedges the active part of its currency exposures relating to trade receivables and liabilities, i.e. those that can actually be realised over 12 months. Selena Group also hedges currency exposure by using multi-currency credit lines and external financing in the currencies of local subsidiaries.

The table below shows the hypothetical impact (expressed in PLN) on the Group's exposure in foreign currencies if at the end of the year the currency rates depreciated/ appreciated to the level shown in the table (FX rate sensitivity levels were adopted on the basis of their actual variability in 2017–2019).

Exposure currency converted into PLN thousand	as at 31.12.2019 EUR	RUB	RON	USD	KZT	TRY	Other	PLN	TOTAL
Trade receivables	102,063	46,536	4,229	6,334	5,873	2,418	25,891	44,548	237,892
Cash	23,202	182	2,545	3,939	2,851	9,378	6,988	36,568	85,653
Other financial assets	1,696	202	68	219	0	5,269	1,415	540	9,409
	126,961	**46,920**	**6,842**	**10,492**	**8,724**	**17,065**	**34,294**	**81,656**	**332,954**
Trade liabilities	100,796	967	1,634	1,561	556	2,352	8,775	27,345	143,986
Bank loans	45,178	19,816	0	11,400	0	11	2,734	24,768	103,907
Leases	20,653	0	997	237	636	133	490	14,583	37,729
Other financial liabilities	13,689	133	0	0	0	135	650	2,343	16,950
	180,316	**20,916**	**2,631**	**13,198**	**1,192**	**2,631**	**12,649**	**69,039**	**302,572**
Net exposure	**-53,355**	**26,004**	**4,211**	**-2,706**	**7,532**	**14,434**	**21,645**	**12,617**	**30,382**

impact of rate changes at the following rates:						
EUR/PLN: 4.1705/ RUB/PLN: 0.0559 / RON/PLN: 0.8642 / USD/PLN: 3.6141 / KZT/PLN: 0.0095 / TRY/PLN: 0.5317	1,103	-2,213	-123	131	-316	-2,405
EUR/PLN: 4.3860/ RUB/PLN: 0.0656 / RON/PLN: 0.9197 / USD/PLN: 4.2169 / KZT/PLN: 0.0113 / TRY/PLN: 0.7334	-1,597	1,915	140	-299	1,051	2,158

Exposure currency converted into PLN thousand	as at 31.12.2018 restated data* EUR	RUB	RON	USD	KZT	TRY	Other currencies	PLN	TOTAL
Trade receivables	102,081	36,335	4,698	7,251	5,820	1,970	18,585	41,170	217,910
Cash	13,838	1,472	2,911	1,621	2,337	4,818	3,470	15,034	45,501
Other financial assets	1,775	323	69	213	92	1,235	1,101	1,118	5,926
	117,694	**38,130**	**7,678**	**9,085**	**8,249**	**8,023**	**23,156**	**57,322**	**269,337**
Trade liabilities	101,191	929	1,441	1,135	258	1,515	8,271	17,376	132,116
Bank loans	61,428	5,455	0	10,001	0	19	52	68,432	145,387
Leases	6,998	0	0	0	0	0	0	4,214	11,212
Other financial liabilities	5,937	105	0	11	428	1,023	680	7,622	15,806
	175,554	**6,489**	**1,441**	**11,147**	**686**	**2,557**	**9,003**	**97,644**	**304,521**
Net exposure	**-57,860**	**31,641**	**6,237**	**-2,062**	**7,563**	**5,466**	**14,153**	**-40,322**	**-35,184**

impact of rate changes at the following rates:						
EUR/PLN: 4.1882 / RUB/PLN: 0.0480 / RON/PLN: 0.8941 / USD/PLN: 3.5436 / KZT/PLN: 0.0095 / TRY/PLN: 0.6025	1,504	-3,568	-195	119	-466	-833
EUR/PLN: 4.4446 / RUB/PLN: 0.0604 / RON/PLN: 0.9552 / USD/PLN: 4.2142 / KZT/PLN: 0.0117 / TRY/PLN: 0.8005	-1,946	3,685	218	-249	1,177	690

*The reasons and effects of restating the data published in prior periods are contained in Note 1.3

Currency and interest rate risk relating to the bank debt

The table below shows details of the interest rates on loans and loan currencies.

Currency	Interest rate	Base rate	figures in PLN thousand	as at 31.12.2019	as at 31.12.2018
PLN	variable	WIBOR		24,768	68,433
EUR	variable	EURIBOR		33,592	53,551
	fixed	-		11,615	7,880
USD	variable	LIBOR		11,400	10,001
RUB	variable	Different		19,816	5,455
CNY	variable	Different		2,709	0
Other	Different	Different		7	67
Total				**103,907**	**145,387**

7.2.2 Interest rate risk

For the purpose of risk analysis, interest rate risk is defined as a risk of fluctuations in the fair value of the future cash flows as a result of changes in the market interest rates. In the case of the Group the risk applies mainly to the bank and other loans, leases and interest-earning financial assets held by the Group companies (mainly cash).

A summary of the contractual maturities of the open interest-bearing positions on which interest is received or paid is presented in the table below.

as at 31.12.2019 Figures in PLN thousand	< 1 year	1 – 3 years	3 – 5 years	> 5 years	Total
Fixed interest rate					
Lease liabilities	6,520	3,521	351	754	**11,146**
Bank loans	4,870	2,892	3,849	4	**11,615**
Loans granted	5	0	0	0	**5**
Bank deposits	9,594	0	0	0	**9,594**
Variable interest rate					
Lease liabilities	7,730	14,386	2,934	1,533	**26,583**
Bank loans	29,522	62,770	0	0	**92,292**
Liabilities on account of prepaid trade receivables	12,725	0	0	0	**12,725**
Bank deposits	3,320	0	0	0	**3,320**
Cash in bank	64,615	0	0	0	**64,615**

as at 31.12.2018 Figures in PLN thousand	< 1 year	1 – 3 years	3 – 5 years	> 5 years	Total
Fixed interest rate					
Bank loans	3,981	3,899	0	0	**7,880**
Other loans received	0	0	0	4	**4**
Loans granted	5	0	0	0	**5**
Bank deposits	42	0	0	0	**42**
Variable interest rate					
Finance lease obligations	5,082	6,130	0	0	**11,212**
Bank loans	23,250	114,257	0	0	**137,507**
Liabilities on account of prepaid trade receivables	5,325	0	0	0	**5,325**
Loans granted	404	45	0	0	**449**
Bank deposits	50	0	0	0	**50**
Cash in bank	40,328	0	0	0	**40,328**

The potential impact of the market interest rates changes on the financial result generated by the financial instruments with a variable yield is presented in the table below. The calculation assumes an exposure to a particular interest rate at a fixed value as at 31 December 2019 (and 31 December 2018). The table includes only the currencies and instruments for which the Group's exposure to fixed-rate instruments is significant.

Figures in PLN thousand	2019			2018		
	PLN	EUR	USD	PLN	EUR	USD
Cash	36,568	23,202	3,939	4,818	13,838	1,621
Bank loans received	-24,768	-33,592	-11,400	-68,433	-53,551	-10,001
Net exposure	**11,800**	**-10,390**	**-7,461**	**-63,615**	**-39,713**	**-8,381**
Impact * of an increase ** in interest rate*** by 1 pp on net exposure	118	-104	-75	-636	-397	-84

* excluding possible tax effects
** impact of a decrease is the same
*** respectively: WIBOR or EURIBOR

The deposits opened by the Group companies are short-term in nature, therefore they reflect the current market conditions, but they also increase the risk of fluctuations of future cash flows from interest.

As a rule, Selena Group does not use hedging instruments to protect itself from changes in the market interest rates.

7.2.3 Credit risk

Due the nature and size of its business, the Group's credit risk is subject to regular analysis for all the subsidiaries forming part of the Group. Selena Group enters into trading transactions with the companies that demonstrate a strong credit worthiness. The customers who are allowed trade credit are vetted depending on the nature and extent of the relationship. As a result, each client has an individually calculated credit limit and payment terms. Selena Group regularly monitors the value and age structure of receivables and take collection measures to mitigate credit risk. Furthermore, selected companies of the Group entered into an agreement Atradius Credit Insurance N.V.S.A. to insure their trade receivables.

Important estimates and assumptions

In accordance with IFRS 9, at each balance sheet date, Selena Group assesses the expected credit losses whether or not there are any indications of impairment.

Selena Group uses the following models of making impairment allowances for individual items of financial assets:
• Internal receivables – Selena Group uses the model of expected credit losses over the life of the receivables to determine their impairment allowances. As part of the model, an individual analysis is made (for receivables from significant external customers) and a collective analysis (for other external customers due to the similar characteristics of credit risk). Additionally, balances of receivables constituting the basis for calculating impairment allowances are reduced by the amounts of insured receivables (no allowances are made for insured receivables).

A collective analysis of exposures is made using a simplified matrix of allowances for individual age ranges based on expected credit losses over the entire life of the receivables (based on default ratios determined using historical data for the last 4–5 years. We have not identified any future factors that would materially affect the level of default rates. The expected credit loss is calculated when the receivable is recognised in the statement of financial position and is updated on each subsequent day ending the reporting period, depending on the number of days in arrears. For receivables analysed on a collective basis, all items past due by over 360 days are qualified to impairment grade 3, and are covered by a 100% write-down.

For receivables from significant external customers, the Group performs an individual analysis of all exposures, assigning them to one of three stages:
i) Stage 1 – where credit risk has not increased significantly since initial recognition and where 12-month expected credit loss (ECL) is recognised.
ii) Stage 2 – where credit risk has increased significantly since initial recognition and where lifetime ECL is recognised.
iii) Stage 3 – where impairment has been identified.

Exposures classified to stage 1 or 2 have impairment allowances determined based on an individually set rating, repayment profile and assessment of recovery from collateral.
For exposures classified to stage 3, the amount of impairment allowance is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future losses on account of uncollected receivables), discounted using the effective interest rate.

Impairment allowances are reversed when the present value of the estimated future cash flows is higher than the net assets employed, and a positive balance of payments with the entity concerned is expected to be achieved within the next 12 months.

Trade receivables and other financial receivables presented in the consolidated statement of financial position have been classified to the following stages of the impairment model:

Figures in PLN thousand	as at 31.12.2019 Grade 2	Grade 3	Total	as at 31.12.2018 restated data* Grade 2	Grade 3	Total
Gross trade receivables	240,901	22,506	**263,407**	222,020	26,136	**248,156**
Expected credit loss on trade receivables	-4,073	-21,443	**-25,516**	-4,109	-26,137	**-30,246**
Other gross financial receivables	5,268	5,627	**10,895**	1,834	6,487	**8,321**
Expected credit loss on other financial receivables	0	-2,716	**-2,716**	0	-3,794	**-3,794**
Carrying amount of trade receivables and other financial receivables	**242,096**	**3,974**	**246,070**	**219,745**	**2,692**	**222,437**

*The reasons and effects of restating the data published in prior periods are contained in Note 1.3

The table below shows impairment allowances on trade receivables in individual age ranges. They were calculated using a simplified matrix of expected credit losses based on default rates.

Days in arrears as at 31.12.2019 (Figures in PLN thousand)	Trade receivables measured using the simplified model	Default rate	Expected credit losses
Up-to-date	137,806	0.30%	409
< 30	13,133	1.19%	156
31 – 60	2,856	6.16%	176
61 – 90	650	26.46%	172
91 – 120	283	22.97%	65
121 – 180	465	32.26%	150
181-360	400	71.00%	284
>361	12,531	100.00%	12,531
Total	**168,124**		**13,943**

Days in arrears as at 31.12.2018 (Figures in PLN thousand)	Trade receivables measured using the simplified model	Default rate	Expected credit losses
Up-to-date	189,320	0.20%	376
< 30	11,384	3.51%	400
31 – 60	5,909	3.91%	231
61 – 90	1,487	14.66%	218
91 – 120	579	27.46%	159
121 – 180	1,028	43.77%	450
181-360	2,608	75.38%	1,966
>361	26,136	100.00%	26,136
Total	**238,451**		**29,936**

Changes in impairment allowances on trade and other receivables alongside comparative data are presented in the table below:

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018 restated data*
Allowance in respect of expected credit loss at the beginning of the period	**34,040**	**33,332**
Application of IFRS 9	-	170
Allowance in respect of expected credit loss at the beginning of the period after the application of IFRS 9, including in relation to:	**34,040**	**33,502**
trade receivables	***30,246***	***31,045***
other financial receivables	***3,794***	***2,457***
Created/ reversed (-) according to IFRS 9, including in relation to:	2,929	4,579
trade receivables	*2,216*	*2,683*
other financial receivables	*713*	*1,896*
Used, including in relation to:	-8,476	-3,252
trade receivables	*-6,305*	*-3,115*
other financial receivables	*-2,171*	*-137*
FX differences arising on conversion of foreign affiliates, including in relation to:	-323	-475
trade receivables	*-506*	*-355*
other financial receivables	*183*	*-120*
Others, including in relation to:	62	-314
trade receivables	*-135*	*-12*
other financial receivables	*197*	*-302*
Impairment in respect of expected credit loss at the end of the period, including in relation to:	**28,232**	**34,040**
trade receivables	***25,516***	***30,246***
other financial receivables	***2,716***	***3,794***

*The reasons and effects of restating the data published in prior periods are contained in Note 1.3

Details on the assets held as security for loans are provided in Note 6.1.3. The risk that no cash flows will be obtained from the indicated asset items is considered as low. In the situation of an increased credit risk, the Group is protected by asset impairment allowances, which are reflected in the carrying amounts of the assets.

Cash is deposited with financial institutions in the form of short-term deposits. Credit risk associated with cash is low in the Management Board's opinion. Cash in bank carries variable rates of interest. Short-term deposits are opened for different periods (up to 3 months), and carry different interest rates.

as at 31 December 2019, Selena Group had unutilised credit lines of PLN 249.64 million. As at 31 December 2018: PLN 210.04 million.

The high value of cash on bank accounts is connected with the separate presentation in the consolidated financial statements of settlements between the Polish members of Selena Group under cash-pool agreements (umbrella loan agreements).

In the case of cash and cash equivalents, the Management Board of the Parent Company believes that the credit risk is low (stage 1 of the impairment model). Over 90% of cash on bank accounts is held by Selena FM Group with financial institutions that have high, medium-high and medium credit rating and which have appropriate equity as well as a strong and stable market position. The table below presents the level of cash concentration on bank accounts, taking into account the credit rating of financial institutions.

Rating level		as at 31.12.2019	as at 31.12.2018
Medium-high	from A + to A- according to S & P and Fitch and from A1 to A3 according to Moody's	78%	70%
Medium	from BBB + to BBB- according to S & P and Fitch and from Baa1 to Baa3 according to Moody's	16%	22%
Low	from Ba2 to Ca by S & P and Fitch and from BB to CC by Moody's	6%	8%

7.2.4 Liquidity risk

The Group’s Management Board seeks to maintain a balance between continuity and flexibility of financing. To this end, different funding sources are used, including investment loans, overdrafts and leases.

As part of its role of central coordination of the Group’s finance management, the Parent Company originates loans to its subsidiaries to ensure current financing and liquidity for them (the effect of such transactions is eliminated from the Group's consolidated accounts). Details of such transactions are presented in the standalone financial statements of the Parent Company for 2019. The Parent Company provides financing to subsidiaries based on the Group's liquidity forecasts (including unused credit limits as well as cash and cash equivalents). As a rule, this is done locally by subsidiaries, in accordance with the practice and limits set by the Group. These limits vary from one location to another to reflect the liquidity of the market in which the subsidiary operates. In addition, the Group's liquidity management policy includes preparing cash flow projections for major currencies and taking into account the level of liquid assets necessary to cover the cash flows, monitoring balance sheet liquidity ratios in terms of internal and external regulatory requirements, and maintaining debt plans.

The table below presents the Group's liabilities as at the balance sheet date by maturities based on contractual payment schedules.

31 December 2019 Figures in PLN thousand	On demand	Below 3 months	3 to 12 months	< 1 year 5 years	Above 5 years	Total
Interest bearing borrowings	0	5,289	29,970	67,317	3,950	**106,525**
Lease liabilities	0	3,043	11,864	20,423	4,138	**39,468**
Trade liabilities	30,153	112,294	1,539	0	0	**143,986**
Other financial and non-financial liabilities*	1,968	42,372	38,166	0	109	**82,615**
	32,121	**162,998**	**81,538**	**87,740**	**8,197**	**372,595**

*the item does not include amounts connected with prepayment for deliveries or deferred revenue

31 December 2018 Figures in PLN thousand	On demand	Below 3 months	3 to 12 months	< 1 year 5 years	Above 5 years	Total
Interest bearing borrowings	19	20,197	7,707	121,144	4	**149,071**
Finance lease obligations	0	1,365	3,717	6,130	0	**11,212**
Trade liabilities	37,233	94,111	772	0	0	**132,116**
Other financial and non-financial liabilities*	12,574	26,617	20,605	0	110	**59,906**
	49,826	**142,290**	**32,801**	**127,274**	**114**	**352,305**

*the item does not include amounts connected with prepayment for deliveries or deferred revenue

7.2.5 Other risks

Selena Group has an extensive co-operation with customers from the Eastern markets (Russia, Ukraine, Kazakhstan). The executive boards of the Group companies are aware of the risks pertaining to the Eastern markets (FX, credit, legal, tax and political risk). The Group has operated a sales management model and a partial hedging of FX transactions designed to mitigate the above risks.

Furthermore, a material portion of the Group’s operating costs are the cost of commodities, including those purchased in foreign markets. Commodity prices are characterised by volatility and reflect fluctuations in the global economy and oftentimes are linked to changing oil prices. The growing commodity prices press on distributors’ margins and bring demand down. On the other hand, decreasing prices may point to a dwindling demand and a beginning of a downturn. Stable growth and stable commodity prices positively affect the Group’s business, ensuring more accurate projections of performance, while fluctuations in demand and an increase in commodity prices have a negative bearing on the Group's profitability.

In the process of managing the Group’s operations and taking strategic decisions which also have an impact on tax settlements, Selena Group is exposed to tax risks. These risks are described in Note 1.11 to the consolidated Management Board’s report for 2019.

7.3 Capital management and net debt

The key goal of the Group’s capital management is to maintain good credit rating and safe capital ratios to facilitate the Group’s operations and increase value for shareholders.

The Parent Company manages its capital structure, and modifies it in response to the current needs and changes to the economic conditions. To maintain or change the capital structure, the Parent Company may use the following instruments:

- payment of dividend to shareholders
- issue of new stock
- loan taking or repayment.

As part of capital management, the Management Board of the Parent Company monitors the debt level by means of the gearing ratio, which is calculated as net debt to total equity + net debt. Net debt includes bank and other loans, lease liabilities and prepaid trade receivables, less cash and cash equivalents. Equity includes the equity attributable to the shareholders of the Parent. Selena Group aims to maintain the ratio in the 20-40% range. At the end of 2019, the ratio significantly improved compared to 31 December 2018, due to a significant increase in cash with a simultaneous decrease in liabilities in respect of bank and other loans.

Figures in PLN thousand	as at 31.12.2019	as at 31.12.2018*	as at 01.01.2018*
Bank and other loans	103,907	145,387	155,318
Lease liabilities	37,729	11,212	13,392
Liabilities on account of prepaid trade receivables	12,725	5,325	9,599
Less cash and cash equivalents	-85,653	-45,501	-52,921
Net debt	**68,708**	**116,423**	**125,388**
Equity attributed to the shareholders of the parent	458,315	425,346	409,622
Equity and net debt	**527,023**	**541,769**	**535,010**
Gearing (net debt / equity + net debt)	**13%**	**21%**	**23%**

*The reasons and effects of restating the data published in prior periods are contained in Note 1.3

7.3.1 Dividends paid

On 27 May 2019, the AGM of Selena FM S.A. adopted a resolution on dividend payment in respect of a part of the Parent Company's profit for 2018 in a total amount of PLN 6,850,200.00, i.e. PLN 0.30 per share. The record date, when the list of shareholders eligible for dividend is determined, was set to 3 June 2019. The shares of all series carry the same dividend rights. The dividend was paid in two tranches on 5 June and 7 June 2019.

Other information

8. Other information

8.1 Contingent liabilities

Intragroup guarantees

Accounting policies

The entity discloses contingent liabilities at the end of the reporting period if:
– it has a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
– it has a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

The entity does not disclose a contingent liability if there is a marginal probability of an outflow of resources embodying economic benefits.

A financial guarantee agreement is an agreement whereby the issuer is require to make payments to the holder to compensate the loss that the holder will incur if the debtor does not make a contractual payment on the terms defined for the particular debt instrument. At the time of initial recognition, the financial obligation on account of the guarantee agreement is measured at fair value. After the initial recognition, the value is measured at the higher of:

- initial value decreased by the amounts recognised in the profit and loss as a result of settlement of the initially recognised amount during the period of the guarantee's validity, and
- an amount estimated in accordance with the expected credit loss model under IFRS 9.

Group companies provide cross-guarantees to each other in connections with jointly incurred bank debt, and as part of commercial transactions. These are intragroup transactions, and the guarantee applies to loan obligations and trade liabilities owed to unrelated entities. Such guarantees given to the subsidiaries by Selena FM S.A. were described in detail in Note 7.1 of the standalone financial statements of Selena FM S.A. for 2019. As at 31 December 2019, the result of the valuation of these guarantees according to IFRS 9 is immaterial.

Contingent assets and liabilities under the agreement for the acquisition of Selena Iberia

As part of the acquisition of Selena Iberia (formerly: Industrias Quimicas Lowenberg), in 2009, at the acquisition date, potential assets were identified in the acquired company which were related to the realisation of the benefits that might flow to Selena Iberia in the future in respect of contingent tax assets. Pursuant to the agreement between the Selena Group and the previous shareholders of the company, if the company acquires any actual economic benefits in respect of the above items, then they will be returned to the previous shareholders in an amount equal to those benefits (a symmetrical approach without an impact on the Group's results). On 30 September 2010, an additional agreement was signed in relation to this matter, whereby any potential economic benefits arising from these assets will be returned to the previous shareholders in the portion corresponding to 70% or 85% (depending on the type of the asset) of the value of such benefits.

In 2019, Selena Iberia posted a tax loss that did not allow it to use the tax losses and credits from previous years. The maximum nominal value of contingent liabilities not included in the settlement, taking into account liabilities recognised in the statement of financial position as at 31 December 2019, is EUR 1.16 million.

Court disputes

Dispute between Carina Silicones sp. z o.o. and Bank Millennium S.A.

On 11 March 2013, Carina Silicones received from the District Court in Warsaw, XVI Economic Division, a copy of the claim for payment made by Millennium Bank, dated 4 January 2013. The bank stated its total claim amount at PLN 10,256 thousand. The claim relates to the purported conclusion of FX transactions between the company and the bank in 2008. Repeating the opinion of the Management Board of Carina Silicones, supported with legal opinions, the Management Board of the Parent sustains its opinion that the bank's claims are unwarranted. Based on the legal opinion received, the company responded to the claim and moved that it should be dismissed in its entirety. At the request of Carina Silicones Sp. z o.o. the case was suspended for the time of the proceedings to determine existence of the contested transaction.

At the request of Bank Millennium, in 2017 the Regional Court in Warsaw resumed the payment proceedings. During the first hearing on 14 March 2017, the attorney of Bank Millenium filed a motion to refer the case to mediation.

as at the date of preparation of these consolidated financial statements, the Regional Court continues examine evidence for the case. The company expects that the decision of the court of first instance should be taken in H2 2020 at the earliest. The company has a legal opinion which shows that the claim for payment is very likely to be successful.

Administrative proceedings between Selena S.A. and the Customers Office

Selena S.A. (the "Company") is a party to customs proceedings relating to the imposition by the customs authorities of anti-dumping duty on the Company in connection with the import of mesh fabrics of glass fibres from Taiwan in 2011–2012.

Based on the report drafted by the European Anti-Fraud Office (OLAF) relating to the investigation held in Taiwan regarding the suspected circumvention of the anti-dumping duty imposed on the imports mesh fabrics, proceedings were initiated against Selena S.A. to determine the amount of the anti-dumping duty (the proceedings were initiated by the Head of the Customs Office in Gdynia on 24 February 2014, while on 27 May 2014 the Head of the Customs Office in Gdańsk initiated another 37 proceedings). As a result of these proceedings, a customs liability in the total amount of PLN 7,992.9 thousand was assessed for the Company.

Selena S.A. disagreed with the opinion of the customs authorities, and challenged it both before the customs authorities of the second instance and through complaints submitted to the Provincial Administrative Court (WSA) in Gdańsk. Despite the initially favorable decisions taken by the WSA, on 15 December 2016, the WSA in Gdańsk issued the first in a series of decisions unfavourable for the Company. Currently, in 19 cases in which the WSA ruled against Selena S.A., the Company filed cassation appeals to the Supreme Administrative Court. At the same time, the WSA decided to suspend a group of 13 other proceedings.

Regardless of the status of cases before the WSA in Gdańsk, so far Selena S.A. has paid about PLN 7.6 million in the customs liabilities (including in relation to the cases which have been suspended) and about PLN 700 thousand in respect of late interest.

8.2 Information on related parties

The table below shows transactions with directors of the Parent and with associates. The sales and purchases figures cover the period of 12 months ended 31 December (2019 and 2018, respectively), while the receivables and liabilities are presented as at 31 December 2019 and 31 December 2018.

Figures in PLN thousand	Period	Sale	Purchase	Receivables	Liabilities
Associates	2019	26,116	82	7,548	36
	2018	20,844	18	4,524	35
Subsidiaries of the ultimate controlling shareholder*	2019	875	109	142	0
	2018	1,913	613	130	0
Key management personnel**	2019	0	707	0	0
	2018	0	967	0	54
TOTAL	**2019**	**26,991**	**898**	**7,690**	**36**
	2018	**22,757**	**1,598**	**4,654**	**89**

** the item includes entities connected through Mr Krzysztof Domarecki*

*** the item includes members of the Management Board and Supervisory Board, their spouses, siblings, ascendants, descendants and other persons having close links with them.*

Note 7.3.1 contains information on the dividend approved and paid in 2019.
Information on other remuneration for key management personnel not included in the table above is presented in Note 8.4.

8.3 Reasons for the difference between balance sheet changes of selected balance sheet items and changes arising from the statement of cash flows

The tables below present the reasons for differences between changes in certain balance sheet items and changes arising from the statement of cash flows.

Receivables:	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Balance sheet change in receivables, including	**-19,512**	**-7,175**
change in the balance of trade receivables	*-19,982*	*-11,475*
change in the balance of CIT	*1,131*	*4,682*
change in the balance of other financial assets	*-590*	*-361*
change in the balance of other non-financial assets	*-71*	*-21*
Change in income tax receivables	-1,131	-4,682
Change in the balance of investment receivables and prepayments for investments	-958	1,146
Cheques received in settlement of receivables	-5,087	0
FX differences arising on translation of foreign affiliates	4,260	-3,840
Impact of IFRS 9	0	-177
Change in the balance of receivables in the statement of cash flows	**-22,428**	**-14,728**

Inventories:	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Balance sheet change in inventories	**30,731**	**12,124**
FX differences arising on translation of foreign affiliates	75	-3,522
Change in the balance of inventories in the statement of cash flows	**30,806**	**8,602**

Liabilities:	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Balance sheet change in liabilities	**19,378**	**-37,119**
Change in the balance of loans	41,480	9,637
Change in the balance of lease obligations	-26,516	2,180
Change in the balance of income tax obligations	-6,059	-1,495
Change in the balance of investment obligations	194	-228
Exercise of the option to buy minority shares in a subsidiary	5,789	0
Elimination of changes in the balance of unearned revenues on account of government subsidy	37	362
FX differences arising on translation of a foreign affiliate and other	777	3,957
Change in the balance of liabilities in the statement of cash flows	**35,080**	**-22,706**

Other in operating activities	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Receipt of proceeds from subsidies to core business	1,715	1,039
Cheques paid	0	1,680
Outflows from FX transactions (Selena FM)	-1,670	1,053
Total other	**45**	**3772**

Other in investing activities	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Dividends paid to minority shareholders	0	-5
Return of interest-bearing bank pledge	106	181
Total other	**106**	**176**

Other in financing activities	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Inflow of funds from subsidies for investment expenditure	130	746
Total other	**130**	**746**

8.4 Remuneration of the key management personnel of the Parent Company

Emoluments of the Parent's Management Board are presented in the table below.

MANAGEMENT BOARD (Figures in PLN thousand)	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Short-term employment benefits, including bonuses (remuneration and deductions)	2,838	1,941
Death benefits	0	120
Remuneration for services provided to subsidiaries	816	1,527
Total	**3,654**	**3,588**

SUPERVISORY BOARD (Figures in PLN thousand)	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Short-term employment benefits, including bonuses (remuneration and deductions)	421	635
Total	**421**	**635**

Management Board members receive fixed and variable (bonus-based) remuneration. A decision on bonus payment for 2019 will be taken by the Supervisory Board.

AD Niva Sp. z o.o. and Syrius Investment S.a.r.l. as shareholders of the Parent Company received a dividend in 2019 (Note 7.3.1), in accordance with the number of shares held (Note 6.3.1).

8.5 Auditor's fee

Remuneration of the auditor of the Parent Company's standalone financial statements and the Selena FM Group's consolidated financial statements as well as standalone financial statements of selected subsidiaries for 2019 and 2018 is in the table below.

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Audit of the annual financial statements	697	642
Review of the interim financial statements	95	95
Other permitted assurance services	15	0
Total	**807**	**737**

8.6 Employment structure

The average annual employment in the Group is presented in the table below.

Figures in PLN thousand	from 01.01.2019 to 31.12.2019	from 01.01.2018 to 31.12.2018
Administration	142	134
Sales department	812	759
Production division	695	670
Others	167	182
Total	**1,816**	**1,745**

8.7 Subsequent events after the balance sheet date

After the balance sheet date and until the approval of these consolidated financial statements no events, other than those described in these financial statements, taking into account the impact of the COVID-19 pandemic described below, took place that might materially affect the financial data presented in this report.

In response to the current pandemic situation resulting from the spread of the SARS-CoV-2 coronavirus and the COVID-19 disease, the Parent Company's Management Board is monitoring situation on an ongoing basis, tracking health and state authorities' recommendations both in Poland and in countries where Selena Group companies are located.
A special task force was established at the Parent Company to monitor and assess pandemic risks on an ongoing basis, in particular in the areas of:

– product sales (e.g. local restrictions affecting trade restrictions, the number of stores open);
– disruptions in the supply chain of raw materials and product sales through disruptions in transport as well as in relation to the optimisation of inventory;
– disruptions in the continuity of production processes due to possible increased absence of employees;
– financial liquidity of counterparties;
– financial liquidity of individual Selena Group companies;
– exchange rate fluctuations.

As a result of the above analyses, the following procedures were developed and implemented to minimise the risk of contagion among employees and counterparties:

– Monitoring the health of employees of the Selena Group companies through temperature checks;
– Development of the “Procedure for responding to suspected cases of COVID-19 in Selena Group”;
– Limiting meetings, and domestic and foreign business trips;
– Introducing the smart working procedure where possible, with a rotational presence of selected employees on the company’s premises with other team members working from home;
– Providing hand sanitisers and additional personal protection equipment for employees of the Selena Group companies.

Until the date of publication of these consolidated financial statements, to the best of the Management Board's knowledge, no employee of the Selena Group had been infected with coronavirus. Furthermore:

– Polish non-production companies carried on normal activities, including through teleworking;
– The activity of Polish production companies from Selena Group was not significantly limited. Some companies decided to introduce one-off or several-day breaks in production in April 2020, enabling employees to take holiday leaves on those days;
– The operations of some foreign companies from Selena Group were temporarily suspended in April 2020 for a few/ dozen or so days due to locally imposed lockdown. The operations were suspended by e.g. Selena CA TOO (Kazakhstan), Selena Sulamericana Ltda. (Brazil), Selena Malzemeleri Yapi Sanayi Tic. Ltd. (Turkey) and Uniflex srl (Italy). Other foreign subsidiaries of Selena FM S.A. did not reduce their operations to a significant degree. Some of these, including Selena Iberia SLU (Spain) and Selena Italia srl (Italy), merely limited working hours or the number of employees present on premises.

So far, there have been no major disruptions in the supply of raw materials or production materials. Likewise, no major risks have been identified relating to employee absenteeism. At the same time, due to the present situation, Selena Group has intensified its activities in the area of remote sales, and also started to manufacture sanitisers, on a small scale for the time being. Both the Parent Company and the Selena Group companies are looking at possible scenarios of the impact of the pandemic on their activities and take cost containment measures.

In addition to the strong financial results reported for 2019 (net profit of PLN 40 million), Selena Group has a good cash position and unused credit lines (as at 31 December 2019, cash amounted to PLN 86 million and unused credit lines stood at PLN 250 million). As at 31 March 2020, the cash position and the use of credit lines were at a safe level, taking into account the Group’s sales seasonality. The covenants agreed with banks are being monitored on an ongoing basis. No breaches were identified as at the publication date. The Group entered 2020 with the lowest debt ratio in more than five years. The Group has a stable financial position and significant loan agreements will not renew until 2021.

Selena Group did not observe any impact of the pandemic on the financial results in the first quarter of 2020, relying on current estimates based on the assumptions available as at the date of publication of these consolidated financial statements. The final financial results for the first quarter of 2020 will be known before the publication of the quarterly report and may differ from current estimates. In the second quarter of 2020, Selena Group expects sales revenues to decrease, but due to the rapidly changing situation it is not possible make any reliable estimates. The final impact of the pandemic on the activities of Selena Group in 2020 will depend on the macroeconomic effects in Poland and in the countries where the Group companies operate. At present, the Management Board of Selena FM S.A. does not yet have full financial data enabling it to make forecasts as to the impact of the situation on the Group’s financial position in the long term.

The above information on the situation and the impact of the SARS-CoV-2 spread on the operations of Selena Group was prepared to the best of knowledge of the Parent Company's Management Board at the time of publication of these consolidated financial statements.

Management Board President

Krzysztof Domarecki

Vice President for Sales

Dariusz Ciesielski

Vice President for Marketing

Christian Dölle

Management Board Member for Finance

Jacek Michalak