

## INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

**For the General Meeting and for the Supervisory Board of ULMA Construcccion Polska S.A.**

### Report on the audit of the annual financial statements

#### Opinion

We have audited the annual financial statements of ULMA Construcccion Polska S.A. (the "Company"), with its registered office in Brwinów, Koszajec 50, which comprise: general information, income statement and other comprehensive income for the period from 1 January 2020 to 31 December 2020, statement of financial position as at 31 December 2020, statement of changes in equity, statement of cash flows for the period from 1 January 2020 to 31 December 2020 and notes to the financial statements, including a description of the significant accounting policies applied (the "financial statements").

In our opinion, the financial statements:

- give a true and fair view of the Company's financial position as at 31 December 2020 and of its financial performance and its cash flows for the period from 1 January 2020 to 31 December 2020 in accordance with the applicable International Financial Reporting Standards as endorsed by the European Union and the accounting principles (policies) adopted,
- complies in form and content with the legal regulations binding on the Company and its Articles of Association,
- have been prepared on the basis of properly kept accounting records in accordance with the provisions of Chapter 2 of the Accounting Act of 29 September 1994 ("the Accounting Act").

This opinion is consistent with the additional report to the Audit Committee that we issued on 31 March 2021.

#### Legal basis for the opinion

We conducted our audit in accordance with the National Standards on Auditing in the wording of the International Standards on Auditing adopted by resolution of the National Council of Statutory Auditors ("KSB") and in accordance with the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision ("the Act on Statutory Auditors") and the Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audits of public-interest entities, repealing Commission Decision 2005/909/EC (the "EU Regulation").

Our responsibility under these standards is further described in the section of our report "Auditor's responsibility for the audit of the financial statements".



We are independent of the Company in accordance with Professional Accountants (including the International Independence Standards) of the International Ethics Standards Board for Accountants the International Code of Ethics for ("IESBA Code") adopted by resolutions of the National Council of Statutory Auditors and with other ethical requirements applicable to the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code. During the audit, the key statutory auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and the EU Regulation.

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

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were most significant during our audit of the financial statements for the current reporting period. They include the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud.

We have addressed these matters in the context of our audit of the financial statements as a whole and in forming our opinion and have summarised our response to these risks and, where we considered it appropriate, have provided key observations in relation to these risks.

We do not express a separate opinion on these matters.

| Key issue of the audit   | How our examination has addressed this matter   |
|--|---|
| <p><b>Impairment of trade receivables</b></p> <p>As set out in notes 3 and 9 of the financial statements as at 31 December 2020, trade receivables of £24.8 million represent 6.8% of total assets in the statement of financial position, of which overdue receivables represent £6.8 million and 27.3% of trade receivables.</p> <p>The issue of impairment analysis of trade receivables was identified as crucial for the audit of the financial statements due to</p> <p>(i) materiality of the above current assets in the financial statements,</p> <p>(ii) the significance of the judgement as well as estimates made by the Company's Management Board necessary to assess the credit risk of the Group's counterparties and determine the amount of the allowance for expected credit losses, particularly with respect to individually significant trade receivables.</p> <p><i>Reference to disclosures in the financial statements</i></p> <p>The Company has disclosed the values of overdue trade receivables and the writ-off for expected credit losses in notes 3 and 9 of the financial statements prepared as at 31 December 2020. The relevant accounting policies are presented in the notes to the financial statements prepared as at 31 December 2020.</p> | <p>We reviewed our process for monitoring receivables, including the ageing of trade receivables to identify risks to recoverability. We documented our understanding of the process, assessed the design of internal controls relating to the process and tested their operational effectiveness.</p> <p>In particular, we assessed Management's estimates for the determination of the allowance for expected credit losses by analysing source documents for past due items for which no or an incomplete allowance for expected credit losses had been established. The audit procedures also included:- an analysis of the ageing of receivables, a discussion of past due items in relation to which no allowance for expected credit losses has been made and an assessment of the Management's judgement to analyse the level of impairment;</p> <ul style="list-style-type: none"> <li>- an analysis of the impact of the COVID-19 pandemic on the level of credit risk;</li> <li>- testing the ageing of trade receivables on a selected sample;</li> <li>- selecting significant trade receivable balances against which an allowance for expected credit losses has been made, as well as understanding the Company's approach and obtaining audit evidence to support Management's judgement (including, for example, letters from solicitors, contractual collateral or agreements between parties);</li> <li>- obtaining external confirmations of accounts receivable balances for selected customers;</li> <li>- analysing the assumptions used by Management in the calculation of the provision for expected credit losses;</li> <li>- analysis of payments received after the balance sheet date for a selected sample.</li> </ul> <p>We also assessed the disclosures and their scope in the financial statements relating to trade receivables and the allowance for expected credit losses</p> |

**Valuation of property, plant and equipment**

The carrying amount of the Company's property, plant and equipment as at 31 December 2020 was PLN 230.1 million, representing 63.0% of total assets in the statement of financial position. The analysis of the economic useful lives and residual values of property, plant and equipment is estimated by the Management Board.

At the end of the financial year, the Management Board assessed the economic useful lives and residual values of property, plant and equipment. The assessment of the residual value was carried out based on the estimated market value, and judgements regarding the principles of liquidation of fixed assets, as well as the date of taking into use and the expected state at the end of the economic useful life.

This issue was determined to be critical to the audit of the Group's financial statements due to

- (i) the materiality of the above fixed assets in the financial statements,
- (ii) the materiality of the impact of the judgement of the Company's Management necessary to assess the useful lives and residual values of property, plant and equipment.

*Reference to disclosures in the financial statements*

The Company has disclosed matters relating to changes in the value of property, plant and equipment, as well as the principal judgements and estimates used in assessing useful lives and residual values, and the identification of decommissioned property, plant and equipment in notes 2 and 4 of the financial statements prepared as at 31 December 2020.

We reviewed the process of recognition, valuation and disposal of property, plant and equipment, documented our understanding of the process, analysed the design of internal controls relating to the process and tested their operating effectiveness.

We obtained and evaluated Management's assumptions used to determine economic useful lives and residual values. We assessed the consistency of the accounting policies applied by the Company in relation to the initial valuation of fixed assets, depreciation and amortisation of fixed assets with the principles set out in IAS 16 Fixed Assets. In addition, by analysing available external market data, we assessed the economic useful lives and residual values adopted by Management, based on historical data.

We also assessed the adequacy of the disclosures in the financial statements relating to property, plant and equipment, including the nature and value of the assumptions made in relation to their recognition, measurement and disposal.

## **Management's and Supervisory Board's Responsibility for the Financial Statements**

Management of the Company is responsible for the preparation, on the basis of properly maintained accounting records, of financial statements that give a true and fair view of the financial position and performance of the Company in accordance with International Financial Reporting Standards as adopted by the European Union, the accounting principles (policies) adopted, the laws and regulations applicable to the Company and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Company's Management Board and members of the Supervisory Board are responsible for ensuring that the financial statements meet the requirements of the Accounting Act. Members of the Supervisory Board are responsible for overseeing the Company's financial reporting process.

## **Chartered Auditor's responsibility for the audit of financial statements**

Our aim is to obtain reasonable assurance that the annual accounts as a whole are free from material misstatement due to fraud or error and to issue an audit report containing our opinion. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with KSB will always detect the existence of a material deviations. Deviations may arise from fraud or error and are considered material if it can be reasonably expected that, either individually or in combination, they would influence the economic decisions of users taken on the basis of these annual accounts.

In accordance with § 5 of International Auditing Standard 320, the concept of materiality is applied by the auditor both in planning and performing the audit and in assessing the impact on the financial statements of misstatements identified during the audit and uncorrected misstatements, if any, and in forming the auditor's opinion. Accordingly, all opinions and statements in the audit report are expressed taking into account the qualitative and quantitative level of materiality determined in accordance with auditing standards and the auditor's professional judgement.

The scope of the audit does not include assurance as to the future viability of the Company or the efficiency or effectiveness of the management of the Company's present or future operations.

In the course of the audit in accordance with KSB, we apply professional judgement and maintain professional scepticism as well:

- we identify and assess risks of material misstatement of the financial statements due to fraud or error, design and perform audit procedures appropriate to those risks, and obtain audit evidence that is sufficient and appropriate to support our opinion. The risk of failing to detect a material misstatement due to fraud is greater than that due to error because fraud may involve collusion, forgery, intentional omissions, misrepresentations or circumvention of internal control,
- we obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- we assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's management,
- we assess the appropriateness of the Management Board's assumption of a going concern and, based on the evidence obtained, examine whether there is any material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, we modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report, however, future events or conditions may result in the Company not continuing operations;
- we evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements give a fair view of the underlying transactions and events.

We provide the Audit Committee with information about, inter alia, the planned scope and timing of the audit and the significant findings of the audit, including any significant internal control weaknesses that we identify during the audit.

We make a representation to the Audit Committee that we have complied with the relevant ethical requirements for independence and that we will inform them of all relationships and other matters that could reasonably be considered to pose a threat to our independence and, where applicable, report on the steps taken to eliminate the threats or the safeguards applied.

Of the matters reported to the Audit Committee, we have identified those matters that were most significant in the audit of the financial statements for the current reporting period and therefore considered them to be key audit matters. We describe these matters in our auditor's report unless a law or regulation prohibits their public disclosure or if, in exceptional circumstances, we determine that the matter should not be presented in our report because the adverse consequences could reasonably be expected to outweigh the benefit of such information to the public interest.

#### **Other information, including the report on business activity**

Other information includes the Company's management report for the period from 1 January 2020 to 31 December 2020 (the "Management Report") and the corporate governance statement (together "Other Information").

#### *Liability Management Board and Supervisory Board*

The Management Board of the Company is responsible for the preparation of Other information in accordance with the legal regulations.

The Company's Management Board and the members of the Supervisory Board are obliged to ensure that the Report on the Company's activities, including the separate parts, meets the requirements provided for in the Accounting Act.

#### *Statutory Auditor's responsibility*

Our audit opinion on the financial statements does not include the Other Information. In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, to consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, on the basis of the work performed, we conclude that the Other Information is materially misstated, we are required to state this in our audit report.

Our responsibility, as required by the Act on Statutory Auditors, is also to issue an opinion on whether the Directors' Report has been prepared in accordance with the regulations and is consistent with the information contained in the financial statements.

In addition, we are required to give an opinion on whether the Company has included the required information in its Corporate Governance Statement.

### **Opinion on the Directors' Report**

Based on the work performed in the course of our audit, in our opinion, the Report

on the operations of the Company:

- has been prepared in accordance with Article 49 of the Accounting Act and § 70 of the Ordinance of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognising as equivalent information required by the laws of a non-member state (the "Current Information Ordinance"),
  
- is consistent with the information contained in the financial statements.

Furthermore, in the light of our knowledge of the Company and its environment obtained during our audit, we report that we have not identified any material misstatements in the Directors' Report.

### **Opinion on the corporate governance statement**

In our opinion, the Company included the information specified in § 70, section 6, item 5 of the Regulation on current information in its corporate governance statement.

Furthermore, in our opinion, the information referred to in § 70 (6) (5) (c-f, h and i) of the Regulation contained in the corporate governance statement

are consistent with the applicable regulations and the information

in the financial statements.

### **Statement on non-audit services provided**

To the best of our knowledge and belief, we declare that we have not provided non-audit services to the Company and its subsidiaries, including non-audit services that are prohibited under Article 5(1) of the EU Regulation and Article 136 of the Act on Statutory Auditors.



### **Selection of the audit firm**

We were appointed to audit the Company's financial statements for the first time by resolution of the Board of Directors dated 26 April 2017 and again by resolution dated 31 March 2020. We have audited the financial statements of the Company continuously from the financial year ended 31 December 2017, i.e. for a period of 4 consecutive years.

Warsaw, date 31th March 2021

**Key Certified Auditor**

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**Marcin Kowalczyk**  
The auditor  
Register number: 12840

acting on behalf  
Ernst & Young Audyt Polska spółka z ograniczoną  
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