

**WIKANA Group**

**Consolidated financial statements**

**for the period 01.01.2017-31.12.2017**



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## 1. Consolidated statement of comprehensive income

For the period 1 January 2017 - 31 December 2017			
in PLN 000s	Note	01.01.2017	01.01.2016
		31.12.2017	31.12.2016
<b>Continuing operations</b>			
Revenue from sales	6.2	68 930	73 256
Cost of sales	6.4	(52 777)	(55 313)
<b>Gross profit (loss) on sales</b>		<b>16 153</b>	<b>17 943</b>
Selling costs	6.4	(2 773)	(2 713)
Administrative expenses	6.4	(5 001)	(5 365)
Other operating revenue	6.3	3 164	4 279
Other operating expenses	6.5	(4 789)	(2 268)
Gain (loss) on investments	6.6	1 052	190
<b>Operating profit (loss)</b>		<b>7 807</b>	<b>12 066</b>
Finance costs	6.7	(6 668)	(8 463)
<b>Profit (loss) before tax</b>		<b>1 139</b>	<b>3 603</b>
Income tax	6.8	58	(878)
<b>Net profit (loss) on continuing operations for the year</b>		<b>1 197</b>	<b>2 725</b>
<b>Net profit (loss) on discontinued operations for the year</b>		<b>(73)</b>	<b>125</b>
<b>Net profit (loss)</b>		<b>1 124</b>	<b>2 850</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>181</b>
<b>Total comprehensive income</b>		<b>1 124</b>	<b>3 031</b>
<b>Net profit (loss) attributable to:</b>			
Owners of the parent		1 129	2 707
Non-controlling interests		(5)	143
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		1 129	2 888
Non-controlling interests		(5)	143
<b>Profit (loss) per share</b>			
Basic (PLN)	6.19	<b>0.06</b>	<b>0.14</b>
Diluted (PLN)	6.19	<b>0.06</b>	<b>0.14</b>
<b>Net profit / (loss) on continuing operations per share</b>			
Basic (PLN)		<b>0.06</b>	<b>0.14</b>
Diluted (PLN)		<b>0.06</b>	<b>0.14</b>

*Agnieszka Maliszewska*  
/Vice-President of the Management Board/

*Paweł Choleś*  
Member of the Management Board

Lublin, 20 April 2018

*Bożena Wincentowicz*  
Person responsible for  
book-keeping/

Additional information and explanations to the consolidated financial statements constitute an integral part thereof.

## 2. Consolidated statement of financial position

<b>At 31 December 2017</b>			
<i>in PLN 000s</i>	<b>Note</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6.9	13 411	14 710
Intangible assets	6.10	2 748	2 815
Investment properties	6.11	69 693	79 133
Loans issued		-	40
Other non-current assets	6.12	1 513	887
Deferred income tax assets	6.14	575	503
<b>Total non-current assets</b>		<b>87 940</b>	<b>98 088</b>
<b>Current assets</b>			
Inventory	6.15	85 278	85 650
Income tax receivables		-	16
Trade and other receivables	6.16	7 657	7 790
Current financial assets		71	890
Cash and cash equivalents	6.17	10 126	11 297
<b>Total current assets</b>		<b>103 132</b>	<b>105 643</b>
Non-current assets held for sale	6.13	7 594	-
<b>Total assets</b>		<b>198 666</b>	<b>203 731</b>

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## Consolidated statement of financial position, continued

At 31 December 2017 in PLN 000s			
	Note	31.12.2017	31.12.2016
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	4	40 030	40 030
Revaluation reserve	4	181	181
Supplementary capital	4	116 229	112 229
Retained earnings	4	(109 984)	(107 112)
<b>Equity attributable to owners of the parent</b>		<b>46 456</b>	<b>45 328</b>
<b>Non-controlling interests</b>		<b>-</b>	<b>9</b>
<b>Total equity</b>		<b>46 456</b>	<b>45 336</b>
<b>Liabilities</b>			
Credit and loan liabilities	6.20	24 114	23 104
Bond liabilities	6.21	-	-
Finance lease liabilities	6.22	17 166	18 683
Provisions	6.25	9	9
<i>including employee benefit provision</i>	6.25	9	9
Deferred income tax provision	6.14	359	608
Other liabilities	6.26	16 020	16 944
Grants	6.24	2 416	2 741
<b>Total non-current liabilities</b>		<b>60 084</b>	<b>62 089</b>
Credit and loan liabilities	6.20	21 672	17 655
Bond liabilities	6.21	33 739	39 256
Finance lease liabilities	6.22	899	815
Income tax liabilities		565	223
Trade and other payables	6.26	13 845	25 813
Provisions	6.25	5 105	2 870
<i>including employee benefit provision</i>	6.25	77	80
Deferred revenue	6.24	16 301	9 674
<i>including grants</i>	6.24	358	532
<b>Total current liabilities</b>		<b>92 126</b>	<b>96 306</b>
<b>Total liabilities</b>		<b>152 210</b>	<b>158 395</b>
<b>Total equity and liabilities</b>		<b>198 666</b>	<b>203 731</b>

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Lublin, 20 April 2018

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### 3. Consolidated statement of cash flows

For the period 1 January - 31 December 2017		01.01.2017	01.01.2016
in PLN 000s	Note	31.12.2017	31.12.2016
<b>Cash flows from operating activities</b>			
Net profit for the period		<b>1 124</b>	<b>2 850</b>
Income tax paid		555	1 002
Deferred income tax	6.14	(321)	80
<i>Adjustments</i>			
Depreciation	6.4	1 947	2 171
Interest income	6.6	(30)	(190)
Change in fair value of investment properties		1 577	(2 324)
Deferred income tax assets	6.14	72	(326)
Deferred income tax provision	6.14	249	245
Finance costs		6 496	6 242
Finance costs connected with liquidation of Wikana FIZ		-	1 256
Gain (loss) on exchange differences		(1 049)	805
Gain (loss) on investing activities		(33)	(91)
Change in inventories		372	(9 954)
Change in trade and other receivables		133	33
Change in provisions	6.25	1 986	2 010
Change in current and other liabilities, excluding borrowings		(6 507)	2 116
Change in deferred revenue		6 302	3 548
<b>Net cash from operating activities</b>		<b>12 873</b>	<b>9 473</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of intangible assets and property, plant and equipment		100	258
Costs connected with purchasing subsidiaries from Wikana FIZ			(356)
Proceeds from sale of investment properties		400	-
Sale of other financial assets		4	67
Loans repaid		875	-
Purchase of intangible assets and property, plant and equipment		(135)	(245)
Loans issued		(43)	(915)
<b>Net cash from investing activities</b>		<b>1 201</b>	<b>(1 191)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from bond issues	6.21	6 516	5 000
Net proceeds from promissory note liabilities		-	5 300
Borrowings incurred		27 190	6 447
Outflows on repayment of borrowings		(22 068)	(2 351)
Repayment of finance lease liabilities		(970)	(956)
Interest paid		(6 604)	(6 635)
Bond buyback	6.21	(11 612)	(16 240)
Other finance inflows		3	311
Repayment of promissory notes		(7 700)	-
Other finance outflows		-	(417)

Additional information and explanations to the consolidated financial statements constitute an integral part thereof.

<b>Net cash from financing activities</b>	<b>(15 245)</b>	<b>(9 541)</b>
<b>Total net cash flows</b>	<b>(1 171)</b>	<b>(1 259)</b>
Cash and cash equivalents as at the beginning of period	11 297	12 556
Effect of changes in exchange differences on cash and cash equivalents	-	-
<b>Cash and cash equivalents as at the end of period</b>	<b>10 126</b>	<b>11 297</b>
<b>Restricted cash and cash equivalents at the end of period</b>	<b>8 209</b>	<b>7 977</b>

*Agnieszka Maliszewska*  
**/Vice-President of the Management Board/**

*Pawel Cholota*  
**Member of the Management Board**

**Lublin, 20 April 2018**

*Bożena Wincentowicz*  
**Person responsible for  
book-keeping/**



#### 4. Consolidated statement of changes in equity

For the period 1 January 2016 - 31 December 2016 <i>in PLN 000s</i>	Attributable to shareholders of the parent							Total equity
	Share capital	Own shares	Supplementary capital	Revaluation reserve	Retained earnings (losses)	Equity attributable to owners of the parent	Non-controlling interests	
<b>Equity as at 01.01.2016</b>	<b>40 030</b>	<b>0</b>	<b>104 604</b>	<b>-</b>	<b>(102 194)</b>	<b>42 440</b>	<b>(135)</b>	<b>42 305</b>
Comprehensive income	-	-	-	181	2 707	2 888	143	3 031
– <i>Result for the period</i>	-	-	-	-	2 707	2 707	143	2 850
– <i>Other income</i>	-	-	-	181	-	181	-	181
Profit distribution	-	-	7 625	-	(7 625)	-	-	-
<b>Equity as at 31.12.2016</b>	<b>40 030</b>	<b>0</b>	<b>112 229</b>	<b>181</b>	<b>(107 112)</b>	<b>45 328</b>	<b>9</b>	<b>45 336</b>
<b>For the period 1 January 2017 - 31 December 2017</b>								
<b>Equity as at 01.01.2017</b>	<b>40 030</b>	<b>0</b>	<b>112 229</b>	<b>181</b>	<b>(107 112)</b>	<b>45 328</b>	<b>9</b>	<b>45 336</b>
Comprehensive income	-	-	-	-	1 129	1 129	(5)	1 124
– <i>Result for the period</i>	-	-	-	-	1 129	1 129	(5)	1 124
– <i>Other income</i>	-	-	-	-	-	-	-	-
Profit distribution	-	-	4 000	-	(4 000)	-	(4)	(4)
<b>Equity as at 31.12.2017</b>	<b>40 030</b>	<b>0</b>	<b>116 229</b>	<b>181</b>	<b>(109 984)</b>	<b>46 456</b>	<b>-</b>	<b>46 456</b>

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Additional information and explanations to the consolidated financial statements constitute an integral part thereof.

## **5. Additional information and explanations**

### **5.1. Parent company data**

Wikana S.A. ("Company," "Parent," "Issuer") is a public limited company registered in Poland. The Company's registered office is located in Lublin. Company address: ul. Cisowa 11, 20-703 Lublin.

The Parent was founded in January 1994 under the name ZPO ELPO S.A. and was entered into the register maintained by the District Court in Legnica, 5th Commercial Division, under number RHB 1085. In August 1999, the Parent changed its name to Masters S.A. On 20 January 2003, the Parent was registered at the District Court in Lublin, 11th Commercial Department of the National Court Register, under number KRS 0000144421. Pursuant to a resolution of Masters S.A.'s Extraordinary General Meeting on 12 January 2009, a merger was arranged between Masters S.A., registered at the District Court in Lublin, 11th Commercial Division, under KRS number 0000144421, and Wikana S.A., registered at the District Court in Lublin, 11th Commercial Division, under KRS number 0000296052. Pursuant to a resolution of Masters S.A.'s Extraordinary General Meeting on 12 January 2009 on the merger of Masters S.A. and Wikana S.A., the Parent changed its name to Wikana S.A. The District Court in Lublin, 11th Commercial Division, registered the merger on 30 January 2009. The Parent is established for an indefinite time and operates pursuant to the articles of association of 13 January 1994, as amended. Currently, the Company's documentation is located in the District Court for Lublin-Wschód in Lublin, based in Świdnik, 6th Commercial Division of the National Court Register.

According to the articles of association / founding agreements of the Parent and its subsidiaries, their economic activities in the period covered by this report were as follows:

- Property development
- Renting of real estate
- Management of real estate on a fee or contract basis
- Production of energy from renewable sources
- Activities of head offices and holdings, except for financial holdings

The consolidated financial statements for the financial year ended 31 December 2017 and comparative data for the financial year ended 31 December 2016 cover the financial statements of the Parent and subsidiaries (together the "Group").

### **5.2. Statement of compliance with IFRS**

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union, hereinafter the "EU IFRS," with application of the same principles for the current and comparative reporting periods.

The consolidated financial statements are prepared on the assumption that the Group will continue operating as a going concern for at least 12 months from the end of the reporting period. During the reporting period and until the date on which the financial statements were prepared, the Parent's Management Board identified no indications of a threat to the continuing operations of Group companies.

The Parent's Management Board assessed the risks and threats concerning the Group's ability to continue as a going concern, including the ability to repay its current liabilities. Details of the analysis are presented in note 6.27 (point "Liquidity risk") of additional information and explanations.

### **5.3. Standards and interpretations endorsed by the EU and pending endorsement**

#### ***Effect of new accounting standards and changes in accounting policy***

The accounting principles (policy) used in preparing these consolidated financial statements for 2017 are consistent with those used to prepare the entity's annual consolidated financial statements for 2016, except for the amendments described below.

The same principles are used for the current and comparative period.

#### ***Changes resulting from IFRS amendments***

The following new or amended standards and interpretations issued by the IASB or International Financial Reporting Interpretations Committee (IFRIC) went into effect from 1 January 2017.

- Amendments to IAS 7: Disclosure Initiative

The amendments to IAS 7 were published on 29 January 2016 and are effective for annual periods beginning on or after 1 January 2017. The aim of the amendments was to increase the scope of information provided to the readers of financial statements concerning the entity's financing activities through additional disclosures of changes in the balance sheet value of liabilities connected with the entity's financing.

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments to IAS 12 were published on 19 January 2016 and are effective for annual periods beginning on or after 1 January 2017. Their aim is to clarify requirements for recognising deferred tax assets that are related to debt instruments measured at fair value.

- Amendments to various standards resulting from Annual Improvements 2014-2016

The following small amendments to three standards were introduced on 8 December 2016 as a result of the IFRS review:

*Additional information and explanations to the consolidated financial statements constitute an integral part thereof.*

- IFRS 1 Interim Financial Reporting, as regards the removal of several exemptions that are no longer applicable,
- IFRS 12 Disclosure of Interests in Other Entities, as regards clarification of the scope of disclosure requirements related to interests irrespective of whether they are classified as held for sale, as held for distribution or as discontinued operations,
- IAS 28 Investments in Associates and Joint Ventures, as regards the moment when a venture capital organisation may decide to elect to measure at fair value through profit or loss an investment in an associate or a joint venture rather than using the equity method.

The amendments are effective for annual periods beginning on or after 1 January 2018. (except for the amendments to IFRS 12, which are effective for annual periods beginning on or after 1 January 2017).

#### ***Standards not in effect (new standards and interpretations)***

In these financial statements, the Group did not decide on the early application of any published standards or interpretations before their entry into force.

The following standards and interpretations were published by the IASB or the IFRIC but were not yet in force as of the balance sheet date:

- **IFRS 9 *Financial Instruments***

The new standard was published on 24 July 2014 and is effective for annual periods beginning on or after 1 January 2018. The standard aims to clarify the classification of financial assets and introduce a new impairment model for all financial instruments. The standard also introduces a new hedge accounting model in order to streamline rules for presenting information on risk management in financial statements.

The Group will apply the new standard from 1 January 2018.

According to the Group, the new standard will have an impact on balance sheet items such as trade receivables.

The Group analysed the consequences of the new standard entering into force by operating segment:

- For the property development segment, the Group expects the standard's application to have no material impact on the Group's financial statements. In accordance with the Group's sales policy, transfer of control over apartments takes place once customers pay 100% of the price. The Group does not recognise advances unpaid by clients in either assets or deferred revenue. The analysis also shows that in recent years, cases when control over apartments was transferred without 100% payment occurred when the client financed the purchase using bank credit, which was supported by the government programme "Mieszkanie dla Młodych," and the last unpaid tranche of the credit was a payment guaranteed by the state.
- For the renewables segment, the Group expects the standard's application to have no material impact on the Group's financial statements. Settling energy sales takes place at the TGE energy exchange, which protects the seller from the risk of non-payment.
- For the commercial property segment, application of the new standard might have an impact on financial statements. In 2017, the Group wrote off approx. 1.5% of its revenue as other operating costs as this was irrecoverable. The Group's Management Board did not identify any new factors that would significantly influence this ratio in the coming years.

Based on the above summary, the Group expects the standard's application to have no material impact on the Group's financial statements.

- **IFRS 14 *Regulatory Deferral Accounts***

The new standard was published on 30 January 2014 and is effective for annual periods beginning on or after 1 January 2016. The new standard is temporary, given the IASB's work on means of accounting when prices are subject to rate regulation. The standard introduces rules for recognising assets and liabilities arising on transactions at a price that is subject to rate regulation when the entity decides to adopt IFRSs.

The Group will apply the new standard not sooner than on the date set by the European Union as the effective date for the standard. Given the temporary nature of the standard, the European Commission decided not to launch a formal approval procedure for the standard, opting instead to wait for the final standard.

The application of the amended standard will have no impact on the Group's financial statements.

- **IFRS 15 *Revenue from Contracts with Customers***

The new harmonised standard was published on 28 May 2014 and is effective for annual periods beginning on or after 1 January 2018, and early application is permitted. The standard sets out a framework for recognising revenue and contains rules that will supersede most of the detailed revenue recognition guidance currently found in IFRS, particularly in IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. On 11 September 2015, the IASB published draft changes in the adopted standard, deferring the standard's entry into force by one year.

The Group will apply the new standard from 1 January 2018.

The Management Board analysed the impact of IFRS 15 Revenue from Contracts with Customers on the Group's financial situation, results and the scope of information presented in its financial statements.

Based on this analysis, the Group will continue to recognise revenue from sales at the moment when it fulfils its obligation to provide the consideration. This moment is when the Group transfers to the client control over the apartment, parking space, garage storage, storage room or other element of the building or its shared space, i.e. when ownership rights are transferred.

For the renewables segment, the Group's Management Board carried out an analysis of energy sale contracts executed with customers. This analysis did not show that the unit sales price for energy may be dependent on variable factors that may arise in the future. In connection with this analysis, the Group will continue to recognise revenue from energy sales in the period in which such energy is produced, after filing an application for certificates of origin from the Energy Regulatory Office.

In the commercial property rental segment, an analysis of the contracts with tenants did not show impact of the new standard when revenue is recognised in the Group's accounts. Revenue will continue to be recognised in settlement periods, as agreed with the tenants.

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In its business, the Company does not identify variable factors of remuneration that could materially impact this revenue. The rules currently applied in this scope, under IAS 18, do not differ significantly from IFRS 15.

Based on the above summary, the Group expects the standard's application to have no material impact on the Group's financial statements.

- Clarifications to IFRS 15: *Revenue from Contracts with Customers*

Clarifications to IFRS 15 were published on 12 April 2015 and apply to annual periods beginning on or after 1 January 2018 (date on which the entire standard enters into force). The amendments aim to clarify doubts arising in pre-adoption analyses regarding how to: identify a performance obligation, determine whether a company is a principal or an agent and revenue from licensing regarding intellectual property as well as transitional relief provisions for first-time adoption of the new standard.

The Group will apply these regulations from the effective date of IFRS 15, i.e. from 1 January 2018.

The application of the amended standard will have no material impact on the Group's financial statements.

- IFRS 16 *Leases*

The new standard was published on 13 January 2016 and is effective for annual periods beginning on or after 1 January 2019, and early application is permitted (on the condition that IFRS 15 is also applied). The standard supersedes existing regulations concerning leases (IAS 17) and substantially changes the approach to lease contracts of different types, requiring lessees to recognise assets and liabilities from lease contracts on their balance sheets, regardless of their type.

The Group will apply the new standard from 1 January 2019.

The Group has cars under operating leasing and leased buildings that had not been recognised in the balance sheet but will be subject to the new regulations.

As at the date on which this report was approved for publication, the Group began analysing the effects of applying the new standards on its financial statements.

- IFRS 17 *Insurance Contracts*

The new standard was published on 18 May 2017 and is effective for annual periods beginning on or after 1 January 2021. Early adoption is permitted (on the condition that IFRS 15 and IFRS 9 are also applied). The standard supersedes existing regulations regarding insurance contracts (IFRS 4).

The Group does not enter into insurance contracts therefore this standard will have no impact on its financial statements. The Company began analysing the effects of introducing the new standard.

- Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 were published on 11 September 2014 and are effective for annual periods beginning on or after 1 January 2016 (deferred, with no effective date provided). The amendments clarify recognition for transactions where the parent loses control over a subsidiary that does not constitute a business as defined in IFRS 3 Business Combinations through the sale of all or some shares in that subsidiary to an equity-accounted associate or joint venture.

The Group will apply the amendments to standards not sooner than on the date set by the European Union as the effective date for the standard. Currently, the European Commission decided to defer a formal procedure to approve the standard.

At the date on which these financial statements were prepared, a reliable assessment of the impact of the amended standards was not possible.

- Amendments to IFRS 2: *Classification and measurement of share-based payment transactions*

The amendments to IFRS 2 were published on 20 June 2016 and are effective for annual periods beginning on or after 1 January 2018.

The aim of the changes in the standard is to clarify the method of recognition for certain types of share-based payment transactions.

The Company will apply the new interpretation from 1 January 2018.

The application of the amended standard will have no material impact on the Group's financial statements.

- Amendments to IFRS 4: Use of IFRS 9 *Financial Instruments* in IFRS 4 *Insurance Contracts* published on 12 September 2016.

The amendments are usually effective for annual periods beginning on or after 1 January 2018.

According to the Group, the application of the amended standard will have no impact on its financial statements.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration

The new standard was published on 8 December 2016 and is effective for annual periods beginning on or after 1 January 2018. The aim of the interpretation is to indicate how to specify the transaction date for the purpose of determining the exchange rate for transactions in a foreign currency in a situation when the entity pays or receives an advance in a foreign currency.

The Group applies the new interpretation since 1 January 2018.

According to the Group, the application of the amended standard will have no impact on its financial statements.

- Amendments to IAS 40 *Transfers of Investment Property*

The amendments were published on 8 December 2016 and is effective for annual periods beginning on or after 1 January 2018. Their aim is to clarify that the transfer a property to, or from, investment property when, and only when, there is evidence of a change in use.

The Group will apply the new standard from 1 January 2018.

According to the Group, the application of the amended standard will have no impact on its financial statements.

- IFRIC 23 *Uncertainty over Income Tax Treatments*

*Additional information and explanations to the consolidated financial statements constitute an integral part thereof.*

The new interpretation was published on 7 June 2017 and is effective for annual periods beginning on or after 1 January 2019. The interpretation is intended to indicate how to recognise income tax in financial statements when there is uncertainty over existing tax regulations and differences of opinion between the entity and tax authorities.

The Group will apply the new interpretation from 1 January 2019.

At the date on which these financial statements were prepared, a reliable assessment of the impact of this new interpretation was not possible. The Group begun analysing the effects of introducing the new interpretation.

- Amendments to IFRS 9: *Prepayment Features with Negative Compensation*

The amendment to IFRS 9 was published on 12 October 2017 and is effective for annual periods beginning on or after 1 January 2019. Its aim is to indicate rules for the measurement of financial assets that might be repaid early based on contractual terms and formally might not meet the "solely payments of principal and interest (SPPI) condition", which would not allow them to be measured at amortised cost or at fair value through other comprehensive income.

The Group will apply the new standard from 1 January 2019.

- Amendment to IAS 28: *Long-term Interests in Associates and Joint Ventures*

The amendment to IAS 28 was published on 12 October 2017 and is effective for annual periods beginning on or after 1 January 2019. Its aim is to indicate rules for the measurement of interests in associates and joint ventures to which the equity method is not applied.

The Group will apply the amended standard from 1 January 2019.

- Amendments to various standards resulting from Annual Improvements 2015-2017

The following small amendments to standards were introduced on 12 December 2017 as a result of the IFRS review:

- IFRS 3 Business Combinations - clarification that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business,
- IFRS 11 Joint Arrangements - clarification that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business,
- IAS 12 Income Taxes - indication that the income tax consequences of dividends should be recognised in the same manner,
- IAS 23 Borrowing Costs - requirement to include in general financing sources such credit facilities and loans that were originally intended to finance assets in progress - from the moment when such assets are ready for their intended use or sale.

The amendments are effective for annual periods beginning on or after 1 January 2019.

The Group will apply the amended standards from 1 January 2019.

- Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*

The amendments to IAS 19 were published on 7 February 2018 and are effective for annual periods beginning on or after 1 January 2019. The amendments concern the method for remeasuring defined benefit plans when they change. The amendments mean that in the event of a re-measurement of a net asset/liability on a given plan, the updated assumption regarding current costs of employment and interest costs for the periods after the plan changes must be taken into account. So far, IAS 19 did not make this clear.

The Group will apply the amended standard from 1 January 2019.

IFRSs as approved by the EU do not meaningfully differ from the regulations adopted by the IASB, except for the following standards, interpretations and amendments, which were not yet adopted by the EU as of the date on which these financial statements were approved:

- IFRS 14 Regulatory Deferral Accounts, published on 30 January 2014;
- IFRS 17 Insurance Contracts, published on 18 May 2017;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, published on 11 September 2014;
- IFRIC 23 Uncertainty over Income Tax Treatments, published on 7 June 2017.
- Amendment to IAS 28: Long-term Interests in Associates and Joint Ventures, published on 12 October 2017,
- Amendments to various standards resulting from Annual Improvements 2015-2017, published on 12 December 2017,
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement, published on 7 February 2018.

#### **5.4. Basis for the preparation of the consolidated financial statements**

##### ***Basis for measurement***

The consolidated financial statements are prepared using the historic cost concept, with the exception of investment properties and available-for-sale assets, which are measured at fair value.

The measurement methods for fair value are presented in note 5.6.

##### ***Functional and presentation currency***

PLN is the Parent's functional currency.

All amounts presented in the condensed interim financial statements are presented in PLN 000s, unless otherwise stated. The data presented in this report is rounded. Because of this, the sum totals of rows and columns in tables may slightly differ from the total values stated for each row or column.

##### ***Judgements and estimates***

Professional judgements

When a transaction is not regulated by any standard or interpretation, the Parent's Management Board in its subjective view determines and applies an accounting policy that will ensure that the financial statements contain correct and reliable information and that it will:

- correctly, clearly and reliably depict the Group's asset position, financial standing, results and cash flows,
- reflect the transaction's economic characteristics,
- be objective,
- be prepared with the application of prudent valuation,
- be complete in all significant aspects.

Subjective assessment was carried out as at 31 December 2017 with regard to contingent liabilities (note 6.30), investment and contractual liabilities (note 6.29), division between research work and development work (note 6.10), classification of lease contracts (note 6.28) and classification of properties by expected use (note 6.11).

Uncertainty of estimates

In preparing the financial statements the Parent's Management Board is required to make estimates because a lot of the information contained in the financial statements cannot be valued in a precise manner. The Management Board verifies the adopted estimates based on changes in the factors taken into consideration when making the estimate, new information and past experience. Therefore, estimates made as at 31 December 2017 might be subject to change in the future.

The key estimates are described in the following notes (brackets contain the type of information disclosed):

- Notes 6.9 and 6.10 - property, plant and equipment and intangible assets (period of useful economic life and depreciation method are verified at least at the end of each financial year, as are indications of impairment and assumptions adopted in determining recoverable value in impairment tests);
- Note 6.11 - investment property (assumptions adopted in valuing properties using the income approach);
- Note 6.14 - deferred tax (assumptions for identifying deferred tax assets);
- Note 6.15 - inventory (write down to recoverable value);
- Note 6.16 - trade and other receivables (impairment of receivables);
- Note 6.24 - provisions, including employee benefit provisions (discount rates, inflation, wage growth, expected average period of employment, turnover).

##### ***Date on which the financial statements were approved for publication***

These consolidated financial statements were approved for publication by the Parent's Management Board on 20 April 2018.

#### **5.5. Description of key accounting principles**

The accounting principles below were applied to all of the reporting periods presented in the Group's financial statements, except for changes resulting from new standards in effect since 1 January 2017, with no retrospective application.

##### ***Consolidation principles***

In preparing consolidated financial statements, the Group applies full consolidation.

##### ***Subsidiaries***

Subsidiaries in the Group's consolidated financial statements are understood as those entities that the Group has control over, i.e. when it is exposed to their variable financial results or when it has rights to their variable financial results and when it has the capacity to influence the level of their financial results by exerting control over these entities. Exerting control by the Parent occurs by having a majority of voting rights at these entities, i.e. at their management boards and supervisory boards.

*Additional information and explanations to the consolidated financial statements constitute an integral part thereof.*



The financial statements of subsidiaries are included in the consolidated financial statements, starting from the date on which control is acquired and until such control ceases.

– **Consolidation adjustments**

The balances of internal accounts between Group entities, transactions within the Group, all resulting unrealised profits or losses and revenues and costs are eliminated during preparing the consolidated financial statements.

**Foreign currencies**

– **Foreign-currency transactions**

Transactions expressed in foreign currencies are recognised on the transaction date in PLN, using the bid or sell exchange rate for the transaction date from the bank that the entity uses. Monetary items in assets and equity and liabilities expressed in foreign currencies are translated on the balance sheet date according to the average exchange rate published by the National Bank of Poland for a given currency, effective on that date. Exchange differences resulting from settlement of foreign-exchange currencies and measurement of foreign-currency monetary assets and equity and liabilities are recognised in the consolidated statement of comprehensive income. Foreign-currency non-monetary items in assets and equity and liabilities measured at historic cost are translated using the average exchange rate published by the National Bank of Poland on the transaction date.

The following exchange rates were used for balance sheet measurement purposes:

in PLN	Exchange rate at 31.12.2017	Exchange rate at 31.12.2016	Average exchange rate in period 01.01.2017– 31.12.2017	Average exchange rate in period 01.01.2016– 31.12.2016
EUR	4.1709	4.4240	4.2447	4.3757
USD	3.4813	4.1793	3.4739	3.9680

**Financial instruments**

– **Financial assets**

Investments are recognised on the acquisition date and derecognised from the financial statements on the sale date - if the agreement requires delivery within a deadline specified by the relevant market - and they are initially measured at fair value less transactions costs, with the exception of assets that are classified as financial assets initially recognised at fair value through profit or loss. Financial assets are classified as: financial assets carried at fair value through profit or loss, investments held to maturity, available-for-sale financial assets and loans and receivables. Classification depends on the features and objective of the financial asset and is specified at initial recognition.

*Financial assets at fair value through profit or loss*

This group includes financial assets held for sale and financial assets carried at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired principally for the purpose of selling them in the near future or they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or they are derivatives other than effective hedging instruments.

Financial assets other than those held for trading may be classified as carried at fair value through profit or loss at initial recognition if:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or the Group's investment strategy, and information about the group is provided internally on that basis; or
- it constitutes part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement allows for the entire contract (asset or liability) to be classified as measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are recognised at fair value, and profit or loss is recognised in the statement of comprehensive income. The net profit or loss recognised in the statement of comprehensive income include dividends or interest generated on that asset.

*Held-to-maturity investments*

Investments and other financial assets, excluding derivatives, with fixed or negotiable payment terms and fixed maturities that the Group wants to and can hold until maturity are classified as investments held to maturity. They are recognised at amortised cost using effective interest rates, less impairment, and income is recognised using the effective income approach.

*Available-for-sale financial assets*

Shares and redeemable bonds not listed on a market that the Group holds and those that are traded on an active market are classified as available-for-sale assets and recognised at fair value. Gains and losses on changes in fair value are recognised directly in equity, in the revaluation reserve, except for impairment, interest charged using the effective interest rate and negative and positive exchange differences concerning cash flows, which are recognised directly in the statement of comprehensive income. On a sale of an investment or recognition of impairment, cumulative gain or loss previously recognised in the revaluation reserve is recognised in the statement of comprehensive income for the period. Dividends on available-for-sale equity instruments are recognised in comprehensive income when the Group's right to receive payment is established. The fair value of available-for-sale monetary assets denominated in foreign currencies is established after translating such currencies at the spot exchange rates on the balance sheet date. Changes in fair value allocated to exchange differences resulting from changes in a given asset's amortised historic cost are recognised in comprehensive income, while other changes are recognised in equity.

*Loans and receivables*

Trade receivables, loans and other receivables with fixed or determinable payments that are not quoted on an active market are classified as loans and receivables. They are measured at amortised cost, using the effective interest rate method and taking into consideration impairment. Interest income is recognised using the effective interest rate method, except for current receivables, where recognising interest is immaterial.

*Impairment of financial assets*

Financial assets, except for those measured at fair value through profit or loss, are tested for impairment at each balance sheet date. Financial assets are considered to have been impaired when there are objective indications that events taking place after initial recognition of a given asset have had a negative impact on the related estimated future cash flows. In the case of shares not listed on a market, classified as available-for-sale, a substantial or long-term loss in fair value of securities below their cost is considered to be an objective proof for impairment.

Receivables are revaluated at the balance sheet date, taking into consideration the likelihood of their repayment, by creating impairment losses with respect to: receivables from debtors that are subject to liquidation or bankruptcy - up to the amount of the receivable that is not covered by a guarantee or other security and which was submitted to the liquidator or the court receiver in bankruptcy proceedings; receivables from debtors whose requests for bankruptcy were dismissed if their property is insufficient to cover the cost of bankruptcy proceedings; receivables that are disputed by the debtor and that are overdue and, according to an assessment of the debtor's property and financial situation, repayment of the contractual amount is unlikely; receivables that are overdue by more than 360 days from the payment deadline - up to the amount of the receivable that is not covered by a guarantee or other security. Impairment of receivables is recognised in other operating expenses or finance costs, respectively - depending on the type of receivable that it concerns.

In the case of financial assets carried at amortised cost, the amount of impairment constitutes the difference between the asset's balance sheet value and the present value of estimated discounted future cash flows, calculated using the asset's effective interest rate. The carrying amount of a financial asset is decreased by impairment, directly for all assets of this type, except for trade receivables, the carrying amount of which is reduced using an account to adjust their initial value. If trade receivables are deemed irrecoverable, they are written-off in an impairment account. If previously written-off amounts are later recovered, they are reversed in the impairment account. Changes in the carrying amount of the impairment account are recognised in the statement of comprehensive income, in other operating revenue or other operating expenses. Except for available-for-sale financial instruments, if the amount of impairment decreases in the subsequent reporting period, and the decrease may be rationally assigned to an event taking place after the recognition of impairment, the previous amount of impairment is reversed in comprehensive income, provided that the investment's carrying amount on the reversal date does not exceed the amortised cost that would arise if impairment had not been recognised. Impairment of equity instruments held for trading that were initially recognised through profit or loss is not subject to reversal through profit or loss. Any increases in fair value after impairment are recognised directly in equity.

*Reclassification of financial assets*

Available-for-sale financial assets may be reclassified to:

- loans and receivables, if on the date of reclassification these assets would meet the definition of loans and receivables and the entity intends to and is capable of holding the asset in the future or to maturity.

Non-derivative financial assets at fair value through profit and loss and assets at fair value using the option of measurement at fair value may be reclassified according to the following principles:

- Reclassified to available-for-sale assets if (a) the instrument is no longer available for sale or redemption in the near future, (b) on the date of reclassification, this asset would meet the definition of loans and receivables and (c) the entity intends to and is capable of holding the asset in the future or to maturity;
- If an instrument does not meet the definition of loans and receivables, reclassification to available-for-sale assets or assets held to maturity is possibly only in rare circumstances, understood as a documented incidental situation that was not likely to arise in the future or on a regular basis.

The above reclassifications are at fair value on the date of reclassification. Available-for-sale financial assets may also be subject to reclassification to the category assets held to maturity, and vice versa.



#### *Derecognition of financial assets*

The Group derecognises financial assets only when the rights to the cash flows generated by such assets have expired or when substantially all risk and rewards connected with the assets have been transferred to another entity. If the Group does not transfer or retain substantially all risk and rewards connected with the asset, and assumed control over it, it recognised the retained share of the asset and the associated liabilities on potential rewards. However, if the Company retains substantially all risk and rewards, then it continues to recognise the financial asset.

#### – **Financial liabilities and equity instruments issued by the Group**

Debt and equity instruments are classified as financial liabilities or equity, depending on contractual arrangements.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised in the amount of proceeds received, less direct issue costs. Financial instruments with a put option may be presented as equity only if all of the following conditions are met:

- (a) the owner has the right to a proportionate share of the entity's net assets in the event of its liquidation;
- (b) the instrument belongs to the class of instruments most subordinated, and all instruments in this class have identical features;
- (c) the instrument does not have any other features that would meet the definition of a financial liability; and
- (d) the sum of estimated cash flows generated by this instrument during its repayment period is based mainly on the financial result, change in the net assets recognised or change in the fair value of the entity's recognised and unrecognised net assets (excluding the effects of the instrument). The financial result or change in identified net assets is measured in accordance with the relevant IFRSs. The entity cannot hold any other instruments that would significantly tighten or establish a fixed rate of return for the holder of the financial instrument with a sell option.

The criteria to classify as equity the instruments that require their holder to transfer a proportionate share of the entity's net assets in the event of liquidation are based on the same principles as presented above, except for points (c) and (d), which do not apply. If a subsidiary issued this type of instrument that is then held by an entity that does not have control over it, and it was not recognised as equity in that company's financial statements, it is recognised in the consolidated financial statements as a liability because it will not be the most subordinated instruments in the Group.

#### *Instruments containing embedded derivatives*

The components of instruments issued by the Group are classified separate as financial liabilities and equity, in accordance with the content of the executed agreement. The fair value of the components constituting the liability as at the issue date is estimated using the dominant market interest rate applicable to similar, non-convertible instruments. This amount is recognised as a liability at amortised cost, using the effective interest rate method, until conversion of such instrument or until its maturity date. The equity component is established by subtracting the amount of liability from the overall fair value of such an instrument. This value is recognised in equity.

#### *Liabilities resulting from financial guarantee agreements*

Liabilities resulting from financial guarantee agreements are measured initially at fair value and subsequently at the higher of two amounts: the contractual liability, established in accordance with IAS 37 — Provisions, Contingent Liabilities and Contingent Assets, and the initially recognised amount, less depreciation recognised in accordance with the principles for revenue recognition.

#### *Financial liabilities*

Financial liabilities are classified as carried at fair value through profit or loss or as other financial liabilities.

#### *Liabilities carried at fair value through profit or loss*

This group includes financial liabilities held for trading and financial liabilities carried at fair value through profit or loss. A financial liability is classified as held for sale if:

- they were incurred primarily in order to be redeemed short-term;
- constitute a part of a specific portfolio of financial instruments that the Group collectively manages in accordance with the current and actual template for generating short-term profits; or
- are derivatives unclassified and not used as hedges.

Financial liabilities other than those held for trading may be classified as carried at fair value through profit or loss at initial recognition if:

- such classification eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or the Group's investment strategy, and information about the group is provided internally on that basis; or
- is part of a contract containing one or more embedded derivatives, and IAS 39 allows classification of the entire contract (component of assets or liabilities) as items measured at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are recognised at fair value, while gain or loss is recognised in comprehensive income, including interest paid on a given financial liability.

*Other financial liabilities*

Other financial liabilities, including credits and loans, are initially measured at fair value, less transaction costs. Subsequently, they are measured at historic amortised cost, using the effective interest rate method, and interest costs are recognised using the effective income method. The effective interest rate method is used to calculate the liability's amortised cost and to allocate interest costs to the relevant period. The effective interest rate is a rate actually discounting future cash payments in the expected period of use of a given liability or, if necessary, in a shorter period.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities only if the relevant liabilities are exercised, annulled or expired.

– **Equity**

*Share capital*

Share capital is recognised at the nominal value of registered shares, which is specified in the Company's articles of association and its entry in the National Court Register.

*Supplementary capital*

In accordance with the Polish Commercial Companies Code, the Company and other Group companies are required to create supplementary capital to cover losses, to which it transfer at least 8% of annual profit until such time as the supplementary capital amounts to at least one-third of share capital. Transferred to supplementary capital are also any share premiums left over after covering share issue costs.

Use of the supplementary capital must be approved by the General Meeting, however the part of the supplementary capital that amounts to 1/3 of the share capital may only be used to cover losses recorded in the financial statements.

Supplementary capital is created from:

- profit deductions,
- share premium, less directly related costs,
- excess of the sale price of own shares over their purchase price.

*Reserve capital*

Other capital reserves are created in accordance with the articles of association. The general meeting decides on use of the reserve capital.

The Company classifies as reserve capital, among others, capitals created through a decision of the general meeting to purchase own shares.

Reserve capital also includes capital raised from share issues, less issue costs, until the share capital increase is registered by the Register Court. After registration, the nominal value of the registered shares is recognised as share capital, while the share premium that is left over after issue costs is recognised in supplementary capital.

*Own shares purchased*

Pursuant to general meeting resolutions, the Company carries out purchases of own shares. Own shares are measured at the purchase price and are recognised in equity as a negative value.

*Comprehensive income*

Total comprehensive income is a change in equity that took place during the reporting period as a result of transactions other than those executed with owners acting as shareholders. This includes all components of profits and losses and other comprehensive income.

Other comprehensive income includes the revenue and cost items (including reclassification adjustments) that were not recognised as profits or losses in accordance with what is required or allowed by other IFRSs.

***Property, plant and equipment***

– **Own property, plant and equipment**

Items of property, plant and equipment are recognised at the purchase price or cost to manufacture, less depreciation and impairment. The purchase price includes the price of the item and costs directly connected with the purchase and adaptation of the item to a usable state, together with transport, loading, unloading and storage costs. Rebates, discounts and other similar reductions and reimbursements reduce the cost of an asset.

On the date of transition to IFRS, i.e. on 1 January 2006, the Group measured property, plant and equipment at fair value, which replaced the estimated costs as at that date.

The cost of producing a component of non-current assets and non-current assets under construction encompasses all costs incurred by the entity during its construction, assembly, adjustment and improvement up to the date of the adoption of such an asset (or up

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to the balance sheet date, if a component has not yet been put into use). Manufacturing cost includes, where required, a preliminary estimate of the cost of dismantling and disposal of property, plant and equipment and restoring to their original state. Purchased software that is necessary for the proper functioning of its associated device is capitalised as part of the device.

In the event that a component of property, plant and equipment consists of separate and significant parts with different usable periods, these parts are treated as separate assets.

– **Reclassification to investment properties**

Components of property, plant and equipment produced in order to be used in the future as investment properties are classified as property, plant and equipment and recognised based on the production cost until such time as reliable measurement will be possible. At that point, they are reclassified to investment properties and measured at fair value. All profits and losses arising from fair-value measurement are recognised in the statement of comprehensive income as 'other comprehensive income.'

– **Subsequent expenditures**

Subject to capitalisation at a later date are the cost of replaced components of elements of property, plant and equipment that can be reliably estimated, and it is probable that the Group will obtain economic benefits associated with the replaced components of property, plant and equipment. Other capital expenditures are recognised on an on-going basis as costs in the statement of comprehensive income.

– **Depreciation**

Property, plant and equipment items, or their significant separate parts, are depreciated on a straight-line basis throughout the usable period, with consideration given to the net sale price of the remaining part of the asset upon liquidation (residual value). Land is not depreciated. The Group applies the following usable periods for the specific categories of property, plant and equipment:

- Buildings - from 10 to 66 years,
- Machinery and equipment - from 3 to 10 years,
- Means of transport - from 1 to 5 years,
- Furniture and fittings - from 1 to 5 years.

The correctness of the applied periods of use, depreciation methods and residual values of property, plant and equipment (if not negligible) is reviewed annually by the Group.

**Intangible assets**

– **Intangible assets**

Intangible assets acquired by the Group are accounted for on the basis of their purchase price, less amortisation and impairment losses.

– **Subsequent expenditures**

Subsequent expenditure on components of existing intangible assets is capitalised only if it increases the future economic benefits associated with the component. Other expenditures are recognised in comprehensive income when they are incurred.

– **Depreciation**

Intangible assets are amortised on a straight-line basis, taking into account their usable periods, unless this is not specified. Goodwill and intangible assets with undefined usable periods are not amortised but are subject to impairment testing at each balance sheet date. Other intangible assets are amortised from the date on which they are available for use. The estimated usable periods are as follows:

- software - from 2 to 10 years,
- development works - 10 years.

**Cost of development works**

The cost of development works is recognised in the statement of profit and loss when it is incurred.

Expenditures on development works performed within a given undertaking are transferred to the next period if it can be considered that they will be recovered in the future. After the initial recognition of development costs, the historic cost model is applied, which requires assets to be recognised at purchase prices less accumulated amortisation and accumulated impairment. All expenditures transferred to the next period are amortised throughout the expected period of generating revenue from sales from the given undertaking. The costs of development works are subject to annual impairment testing - if an asset is not yet handed over for use, or more frequently - if indications of impairment materialise during the reporting period, suggesting that the balance sheet value of that asset might not be recoverable.

In separating development works from research works, the Group takes into consideration the following factors, which must be met in order to recognise development costs as intangible assets:

- there is technical capacity for completing, and the intent to complete, the asset so that it can be handed over for use or sale;
- there is capacity for the use or sale of the intangible asset;

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- there is availability of resources necessary to complete the asset or such resources can be reliably estimated;
- there is a way of implementing and using such asset, taking into consideration a market for this product.

#### ***Grants for assets***

Grants intended to finance the purchase or manufacture of intangible assets are presented in assets together with the value of the asset purchased or manufactured, less its initial value.

#### ***Investment properties***

Initial recognition of investment properties is at cost, including transaction costs. The carrying amount of investment properties includes the replacement cost of a part of an investment property when it is incurred, provided that recognition criteria are met, and does not include on-going maintenance costs for such properties.

After initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in the fair value of investment property must be included in net profit or loss for the period in which they arise.

An investment property should be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. All gains and losses resulting from derecognition of an investment property are recognised in profit or loss for the period in which it arises.

Assets may be transferred to investment properties only when there is a change of use, i.e. end of owner-occupation or commencement of an operating lease to another party. If an asset is used by its owner - the Company, then it becomes an investment property, and the Company applies the principles described in the 'Property, plant and equipment' section until the day on which there is a change in use.

For a transfer from inventories to investment property at fair value, any difference between the fair value at the date of transfer and its previous carrying amount should be recognised in comprehensive income.

For a transfer from investment property carried at fair value to owner-occupied property or inventories, the fair value at the change of use is the 'cost' of the property under its new classification in accordance with IAS 16 or IAS 2.

Recognition of a transfer from inventories to investment property is treated the same as a sale of inventories.

When the Company completes construction / development of an investment property that will be carried at fair value, any difference between the fair value at the date of transfer and the previous carrying amount should be recognised in comprehensive income.

#### ***Property, plant and equipment used under lease contracts***

A lease contract is classified as a finance lease if it transfers to the Group substantially all the risks and rewards incident to ownership of property, plant and equipment. Assets acquired under financial leasing are initially recognised at the lower of fair value of the asset and present value of the minimum lease payments, subsequently less depreciation and impairment.

Lease contracts other than finance lease contracts are treated as operating leases. Except for investment properties, assets used under operating leasing are not recognised in the Group's balance sheet. Investment properties used pursuant to operating leasing are recognised in the balance sheet at fair value.

The Group recognises rights to perpetual usufruct of land as operating leasing. In connection with this, all payments made to obtain such perpetual usufruct of land are recognised as rights to perpetual usufruct of land. The value of these rights is recognised in comprehensive income throughout the use period, except for those properties that are recognised as investment properties.

#### ***Inventory***

Components of inventories are measured at purchase price or cost to manufacture, not higher than the net realisable sale price. The purchase price includes the purchase price, less direct costs to purchase and adapt the asset for use or introduction to trading. In the case of finished products and production in progress, costs include expenses connected with on-going development projects.

Project costs mainly include:

- land or rights to perpetual usufruct of land, costs concerning construction works performed by sub-contractors in connection with building residential premises,
- capitalised costs, containing finance costs (relating to financial liabilities incurred directly in connection with financing the investment),

Net realisable value is the difference between an estimated sale price in the ordinary course of business and estimated costs of completing and costs to sell.

#### ***Borrowings costs***

Borrowing costs that are directly attributable to the acquisition or manufacture of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of purchase or manufacture of that asset until such time as the asset is largely ready for its intended use or sale. Borrowing costs comprise interest and gains or losses on exchange differences up to the amount corresponding to the adjustment of interest cost.

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Other borrowing costs are recognised in profit or loss when they are incurred.

### ***Impairment of assets***

#### **– Financial assets**

Impairment losses on financial assets are recognised when there is objective evidence of events that may adversely affect the value of future cash flows of the asset.

Impairment of financial assets carried at amortised cost is estimated as the difference between carrying amount and the present value of future cash flows discounted using the original effective interest rate.

The carrying amount of individual financial assets of substantial value individually is subjected to assessment at each balance sheet date to determine whether there is any indication of impairment. Other financial assets are tested for impairment collectively, grouped according to the level of credit risk.

Impairment losses are recognised in the statement of comprehensive income.

Impairment losses are reversed if the subsequent increase in the recoverable amount can be objectively assigned to events taking place after recognition of impairment.

#### **– Non-financial assets**

The carrying amount of non-financial assets, other than biological assets, investment properties, inventories and deferred income tax assets, is subject to impairment testing at each balance sheet date. In the event of such indications, the Group estimates the recoverable amount of individual assets. The recoverable amount of goodwill and the intangible assets that are not yet fit for use is estimated at each balance sheet date.

Impairment is recognised when the carrying amount of an asset or cash generating unit exceeds its recoverable amount. A cash generating unit is defined as the smallest identifiable group of assets that generates cash independently of other assets or groups of assets. Impairment is recognised in profit or loss. Impairment of a cash generating unit is initially recognised as a decrease in the goodwill assigned to the unit (group of units) and subsequently as a decrease in the carrying amount of the other assets belonging to this unit (group of units) on a proportionate basis.

The recoverable amount of an asset or cash-generating unit is defined as the greater of their net realisable value obtainable from sale and their value in use. In estimating value in use, future cash flows are discounted using the pre-tax interest rate that reflects current market assessments of time value of money and risk factors specific to the asset. In the case of assets that do not independently generate cash flows, value in use is estimated for the smallest identifiable cash-generating unit to which the asset belongs. As regards assets other than goodwill, impairment recognised in previous periods is subject to testing at each balance sheet date to find out whether a decrease of impairment or full reversal is in order.

Impairment losses are reversed if the estimates used to establish the recoverable amount changed. An impairment loss is reversed only to the carrying amount of an asset (less depreciation) that would be reflected in a situation in which impairment were not recognised.

### ***Employee benefits***

#### **– Defined contribution plan**

The Group is required, under existing regulations, to collect and pay contributions for pensions for employees. These benefits, in accordance with IAS 19, constitute a state program and are of a defined contribution plan. Accordingly, the Group's obligation for each period is estimated on the basis of the amounts to be contributed for the year.

#### **– Short-term employee benefits**

Liabilities due to short-term employee benefits (compensation for untaken holidays) are measured without taking discount into consideration and are recognised as costs at the moment that benefits are provided.

### ***Provisions***

A provision is recognised if a present obligation has arisen as a result of a past event and payment is probable. In the event that time value of money is of significance, provisions are estimated by discounting the expected future cash flows using an interest rate before tax that reflects the current market changes in time value of money and risk connected with a given asset.

### ***Onerous contracts***

A provision for onerous contracts is created when the economic benefits from the contract expected by the Group are lower than the unavoidable costs of meeting contractual obligations. The amount of provisions is set based on the lower of: costs connected with terminating an agreement and costs of performing it. Prior to recognising a provision, the Group tests the assets connected with such agreement for impairment.

## **Revenue**

### – **Revenue from sale of residential properties and recognition of costs**

Revenue from the sale of residential properties is recognised in accordance with IAS 18, i.e. if the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from sales and cost of sales are recognised when a property is transferred to the buyer (execution of a notarial deed concerning the sale). Revenue is the net amount specified in the notarial deed.

The cost to manufacture unsold residential properties is recognised in inventories as production in progress - until a use permit is secured for the investment, and as finished products after securing such permit.

### – **Revenue from product sales**

Revenue from the sale of goods is recognised in an amount corresponding to the fair value of payments received, less the value of returns, discounts and rebates.

Revenue from the sale of goods is recognised in the statement of comprehensive income if the significant risks and rewards of ownership have been transferred to the buyer. Revenue is not recognised if there is substantial uncertainty whether the economic benefits will flow to the seller, or concerning establishing the costs incurred and the possibility that products are returned, or if the Group is involved on a long-term basis in the management of the sold products.

### – **Provision of services**

Revenue from the provision of services is recognised in the statement of comprehensive income after such services are provided. If the value of the agreement cannot be reliably estimated, revenue from this agreement is recognised to a degree that it is likely that costs connected with the agreement will be covered. Costs connected with the agreement are recognised as costs in the period in which they are incurred. If there is a likelihood that costs of the agreement will exceed its revenue, the expected loss is immediately recognised as cost.

### – **Rent income**

Revenue from leasing investment properties is recognised in the statement of comprehensive income on a straight-line basis throughout the term of the agreement.

### – **Interest**

Interest income is recognised successively as interest accrues (using the effective interest rate method to discount future cash flows for an estimated period of use for the financial instruments) to the net balance sheet value of the given item of financial assets.

## **Lease payments**

Payments under the Group's operating lease agreements are recognised in comprehensive income on a straight-line basis throughout the term of the lease. Special promotional offers received are recognised in comprehensive income together with leasing costs.

As regards finance leases, minimum lease payments are allocated to the part constituting financing costs and the part decreasing the liability. The part constituting financing costs is allocated to specific reporting periods throughout the term of the lease using the effective interest rate method. Contingent payments are recognised as an adjustment of the minimum lease payments over the remaining term of the lease when such adjustment is approved.

## **Gains on investments and finance costs**

Gains on investments include interest on the Group's invested cash, and dividends. Interest income is recognised in the statement of comprehensive income on an accruals basis, using the effective interest method. Dividend income is recognised in the statement of comprehensive income when the Group acquires the right to receive it.

Finance costs include interest paid on debts. All interest costs are determined based on the effective interest rate.

## **Income tax**

Income taxes recognised in the statement of comprehensive income consist of current and deferred tax. Income tax is recognised in the statement of comprehensive income, except for amounts relating to items accounted for directly in equity. In such a case, it is recognised in equity as 'other comprehensive income.'

Current tax is the tax liability in respect of taxable income for the year, determined using tax rates applicable at the balance sheet date, and tax adjustments relating to prior years. Deferred tax is calculated using the balance sheet liability method, based on temporary differences between the value of assets and liabilities as determined for accounting purposes, and their value as determined for tax purposes.

Provisions are not recognised in respect of the following temporary differences: initial recognition of assets or liabilities, except those that concern a business combination, do not have an impact on the accounting profit or profit before tax; and differences connected with investments in subsidiaries in as far as it is unlikely that they will be realised in the foreseeable future. Goodwill does not give rise to temporary differences, irrespective of tax effects. The amount of deferred tax recognised is based on expectations as to how to realise the carrying amounts of assets and liabilities, using prevailing tax rates or enacted at the balance sheet date.

*Additional information and explanations to the consolidated financial statements constitute an integral part thereof.*



Deferred income tax assets are recognised to the extent that it is likely that profits will be taxable, which will enable settlement of temporary differences. Deferred income tax assets are reduced to the extent that it is not likely to obtain taxable income sufficient to settle partial or temporary differences. Any such reduction shall be adjusted upward, in so far that the achievement of sufficient taxable income is probable.

#### ***Earnings per share***

The Group presents basic and diluted earnings per ordinary share. Basic earnings per share are calculated by dividing the profit or loss attributable to holders of ordinary shares by the weighted average number of shares for the period. In contrast to the above, diluted earnings per share include in the calculation - aside from the profit attributable to holders of ordinary shares and the weighted average number of ordinary shares - also options granted to employees and convertible bonds.

#### ***Segment reporting***

An operating segment is a separate part of the Group that deals with the supply of defined products or services (operating segment) or supply of products or services in a defined economic environment (geographical segment), which is subject to risks and derives benefits differently to other segments. The Group's basic reporting format is based on operating segments.

Property rights resulting from certificates of origin are recognised in the energy enterprise's accounts on the day they are awarded and confirmed by an entity maintaining the certificates of origin register (power exchange).

At initial recognition, property rights resulting from certificates of origin are recognised as the product of multiplying the number of awarded rights by the property right's unit market price on the date the certificate is awarded and the property rights are acquired.

### **5.6. Fair value measurement**

Establishing the fair value of both financial assets and non-financial assets is required from the viewpoint of the Group's accounting principles and disclosures in the financial statements. The methods for fair value measurements are presented below. In justified cases, additional information on the assumptions adopted to determine fair value is presented in notes regarding specific components of assets and liabilities.

#### ***Investment properties***

The portfolio of investment properties is systematically measured by an external, independent appraiser with appropriate professional qualifications and current experience in appraisals, as well as the location and category of the property being appraised. Fair values are based on market prices, which are the estimated amounts for which a property could be exchanged between knowledgeable and willing participants in an arm's length transaction after appropriate marketing activities, where both parties are acting in a conscious, careful and not coerced manner.

#### ***Trade and other receivables, loans***

The fair value of trade receivables, other receivables and loans is estimated using the present value of discounted future cash flows and the effective interest rate method at the balance sheet date.

#### ***Financial liabilities other than derivatives***

For the purposes of recognition, fair value is measured at the balance sheet date based on the present value of future cash flows from return of principal and interest, discounted using the effective interest rate. As regards finance leases, market interest rates are estimated based on interest rates applicable to similar types of leasing agreements.

### **5.7. Other atypical events in the reporting period having impact on the financial statements**

During the reporting period, the Parent's Management Board did not identify any atypical events that had material impact on the Company's financial statements.

### **5.8. Seasonality**

The Group is exposed to sales revenue seasonality throughout the financial year, mainly determined by seasonality in the property development segment, connected with weather conditions, which have an impact on the capacity and speed of construction works.

### **5.9. Changes in accounting principles**

The Group did not change its accounting principles in the reporting period.

## **6. Additional information to the consolidated financial statements**

### **6.1. Segment reporting**

Segment reporting is presented by operating segments. The Group operates mainly in south-eastern Poland (except for the property rent segment - the retail and service facilities rented to tenants are located in the following provinces: Lubelskie, Małopolskie, Łódzkie, Kujawsko-Pomorskie, Wielkopolskie, Lubuskie). The main reporting pattern is operating segments and results from the Group's management structure and internal reporting.

Prices used in settlements between segments are based on market prices.

Segment results, assets and liabilities include the items that are directly related, as well as those that are used jointly, which can be attributed to specific segments based on rational indications. Other revenue recognised in the segment cover items that are included in other operating revenue and gains on investments subordinated to the given segment. Other costs recognised in the segment cover administrative expenses and other operating costs that are assigned to the given segment.

Capital expenditure within a segment constitutes the entire cost incurred to purchase property, plant and equipment and intangible assets, excluding goodwill.

#### ***Operating segments***

In 2017, the Group reported the following operating segments:

- Property development,
- Renting of real estate,
- Production of energy from renewable sources.

#### ***Segment combination criteria***

- Property development - the segment comprises companies executing property development projects. The characteristics of the entities in this segment allow it to combine them in one segment based on the following criteria: sales (key revenue category is sales of residential units, service units, parking spaces and underground parking lots), assets (key asset items are land and expenditure on property development projects).

- Renting of real estate - this segment includes companies holding commercial properties for rent as well as a company operated pursuant to the Act of 26 October 1995 on certain forms of support for residential construction, whose activities include construction of residential homes and their management via renting, provision of management and administration services as well as activities relating to residential construction and accompanying infrastructure. The characteristics of the entities in this segment allow it to combine them in one segment based on the following criteria: sales (key revenue category is revenue from rental of real estate), assets (key asset items are investment properties for rent).

- Production of energy from renewable sources - this segment includes companies involved in renewable energy. The characteristics of the entities in this segment allow it to combine them in one segment based on the following criteria: sales (key revenue category is sales of electricity, heat and other products manufactured from renewable sources), assets (key asset items are buildings and installations used for manufacturing products from renewable sources, land and expenditure on construction of such installations).

Following a decision to initiate a dissolution process for Multiserwis S.A., the Group no longer reports the retail segment from the beginning of 2016. The Parent's Management Board notes that in connection with the removal on 5 October 2017 of Multiserwis S.A. w likwidacji from the register of companies maintained by the National Court Register no revenue from this activity will be generated in future reporting periods. In segment reporting, the revenue, results, assets and equity and liabilities of Multiserwis S.A. w likwidacji are presented as 'other.'

#### ***Extent to which the Group is dependent on its key clients***

In 2017 and 2016, the Group did not record transactions with any individual external client that would exceed 10% of total revenue.



Segment reporting (continued)

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<i>in PLN 000s</i>	Property development		Renting of real estate		Production of energy from renewable sources		Other		Eliminations		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Continuing operations</b>												
External revenue	55 586	62 124	8 026	8 121	5 319	3 011	-	-	-	-	68 930	73 256
Inter-segment revenue	14 228	18 672	92	93	213	442	-	-	(14 533)	(19 206)	-	-
<b>Total revenue</b>	<b>69 813</b>	<b>80 796</b>	<b>8 118</b>	<b>8 214</b>	<b>5 532</b>	<b>3 453</b>	<b>-</b>	<b>-</b>	<b>(14 533)</b>	<b>(19 206)</b>	<b>68 930</b>	<b>73 256</b>
Segment result	7 556	11 698	5 162	5 060	663	(1 528)	-	-	-	-	13 380	15 230
Other revenue assigned to the segment	2 120	3 596	1 170	215	925	657	-	-	-	-	4 215	4 468
Other costs assigned to the segment	(7 230)	(5 626)	(1 750)	(720)	(809)	(1 286)	-	-	-	-	(9 788)	(7 632)
<b>Operating profit</b>	<b>2 446</b>	<b>9 668</b>	<b>4 582</b>	<b>4 555</b>	<b>779</b>	<b>(2 157)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7 808</b>	<b>12 066</b>
Finance costs	(4 868)	(5 841)	(1 619)	(2 346)	(181)	(276)	-	-	-	-	(6 668)	(8 463)
Income tax	97	(890)	24	13	(64)	-	-	-	-	-	58	(878)
<b>Net profit (loss) on continuing operations</b>	<b>(2 325)</b>	<b>2 937</b>	<b>2 987</b>	<b>2 222</b>	<b>535</b>	<b>(2 434)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 197</b>	<b>2 725</b>
<b>Discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(73)</b>	<b>125</b>	<b>-</b>	<b>-</b>	<b>(73)</b>	<b>125</b>
Net profit (loss) on discontinued operations	-	-	-	-	-	-	(73)	125	-	-	(73)	125
<b>Net profit (loss)</b>	<b>(2 325)</b>	<b>2 937</b>	<b>2 987</b>	<b>2 222</b>	<b>535</b>	<b>(2 434)</b>	<b>(73)</b>	<b>125</b>	<b>-</b>	<b>-</b>	<b>1 124</b>	<b>2 850</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>181</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>181</b>
Other comprehensive income (net)	-	181	-	-	-	-	-	-	-	-	-	181
<b>Total comprehensive income</b>	<b>(2 325)</b>	<b>3 118</b>	<b>2 987</b>	<b>2 222</b>	<b>535</b>	<b>(2 434)</b>	<b>(73)</b>	<b>125</b>	<b>-</b>	<b>-</b>	<b>1 124</b>	<b>3 031</b>

Additional information and explanations to the consolidated financial statements constitute an integral part thereof.

Segment reporting (continued)

	Property development		Renting of real estate		Production of energy from renewable sources		Other		Eliminations		Consolidated	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Segment assets	272 063	271 836	71 741	71 899	19 837	20 876	-	208	(175 676)	(172 904)	187 965	191 915
Unallocated assets	-	-	-	-	-	-	-	-	-	-	10 701	11 817
<b>Total assets</b>											<b>198 666</b>	<b>203 731</b>
Segment liabilities	200 035	222 049	22 673	21 730	20 458	20 588	-	29	(161 732)	(171 057)	81 434	93 339
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	70 776	65 056
<b>Total liabilities</b>											<b>152 210</b>	<b>158 395</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Capital expenditure</b>	<b>438</b>	<b>188</b>	<b>-</b>	<b>-</b>	<b>69</b>	<b>36</b>			<b>-</b>	<b>-</b>	<b>507</b>	<b>224</b>

Additional information and explanations to the consolidated financial statements constitute an integral part thereof.

## 6.2. Revenue from sales

<i>in PLN 000s</i>	<b>01.01.2017 31.12.2017</b>	<b>01.01.2016 31.12.2016</b>
Revenue from sale of apartments	55 245	61 776
Revenue from sale of land	-	-
Revenue from sale of unfinished investments	-	-
Rent income	8 037	8 017
Revenue from sale of energy and renewables	5 282	2 545
Revenue from retail sale of goods (footwear)	-	-
Revenue from provision of other services	366	918
<b>Revenue from continuing operations</b>	<b>68 930</b>	<b>73 256</b>
Revenue from discontinued operations	-	714
<b>Total revenue</b>	<b>68 930</b>	<b>73 970</b>

## 6.3. Other operating revenue

<i>in PLN 000s</i>	<b>01.01.2017 31.12.2017</b>	<b>01.01.2016 31.12.2016</b>
Revaluation of non-financial assets	51	2 449
Grants	499	602
Revenue from compensation and contractual penalties	981	267
Liabilities written-off	445	189
Gain on disposal of non-current assets	33	129
Revenue from non-statutory sales (re-invoicing)	191	110
Refund of legal costs	15	30
Revenue from reversal of the impairment of receivables	141	28
Release of provisions for legal expenses	460	-
Revenue from decreases in the impairment of inventories	-	-
Other operating revenue	348	475
<b>Other revenue from continuing operations</b>	<b>3 164</b>	<b>4 279</b>
Revenue from discontinued operations	24	1 047
<b>Total other revenue</b>	<b>3 188</b>	<b>5 326</b>

## 6.4. Costs by nature

<i>in PLN 000s</i>	<b>01.01.2017 31.12.2017</b>	<b>01.01.2016 31.12.2016</b>
Depreciation	1 946	2 138
Use of materials and energy	2 639	3 443
External services	44 264	57 680
Taxes and fees	1 777	1 760
Salaries	2 954	3 101
Social security and other benefits	546	555
Other expenses by nature	2 205	4 870
<b>Expenses by nature</b>	<b>56 331</b>	<b>73 547</b>
Change in inventory, products and prepayments	4 117	808
Manufacturing cost of products for internal purposes	16	(11 290)
Selling costs	(2 773)	(2 702)
Administrative expenses	(5 001)	(5 338)
Value of goods sold	87	288
<b>Cost of sales - continuing operations</b>	<b>52 777</b>	<b>55 313</b>
Cost of sales - discontinued operations	-	1 327
<b>Cost of sales</b>	<b>52 777</b>	<b>56 640</b>

Additional information and explanations to the consolidated financial statements constitute an integral part thereof.

### 6.5. Other operating expenses

<i>in PLN 000s</i>	<b>01.01.2017 31.12.2017</b>	<b>01.01.2016 31.12.2016</b>
Cost of receivables impairment and recognition of provisions	(1925)	(923)
Court and enforcement fees	(237)	(215)
Cost of non-statutory sales (re-invoicing)	(194)	(159)
Revaluation of non-financial assets	(1 597)	(86)
Cost to liquidate inventory and tangible assets	-	(53)
Cost of recognising impairment on inventories and property, plant and equipment	-	(44)
Donations	-	(24)
Compensation, penalties, fees	(3)	(8)
Other	(832)	(756)
<b>Other costs of continuing operations</b>	<b>(4 788)</b>	<b>(2 268)</b>
Other costs of discontinued operations	(54)	(32)
<b>Total other costs</b>	<b>(4 842)</b>	<b>(2 300)</b>

### 6.6. Gain on investments

<i>in PLN 000s</i>	<b>01.01.2017 31.12.2017</b>	<b>01.01.2016 31.12.2016</b>
Revaluation of financial assets	-	115
Interest income on overdue debts	7	26
Interest income on issued loans	14	15
Interest income on bank deposits	9	12
Proceeds from sale of debts	-	-
Gain on exchange differences	987	-
Other	35	22
<b>Gain on investments - continuing operations</b>	<b>1 052</b>	<b>190</b>
Gain on investments - discontinued operations	-	-
<b>Total gain on investments</b>	<b>1 052</b>	<b>190</b>

### 6.7. Finance costs

<i>in PLN 000s</i>	<b>01.01.2017 31.12.2017</b>	<b>01.01.2016 31.12.2016</b>
Interest on loans	(745)	-
Interest cost on credit facilities and bonds	(4 108)	(3 184)
Other interest	(1 584)	(2 463)
Costs connected with liquidation of Wikana FIZ	-	(1 257)
Cost of exchange differences	(14)	(805)
Costs connected with change of legal form of subsidiaries	-	(417)
Loss on disposal of shares in subsidiaries	-	-
Other	(217)	(337)
<b>Finance costs - continuing operations</b>	<b>6 668</b>	<b>(8 463)</b>
Finance costs - discontinued operations	-	-
<b>Total finance costs</b>	<b>6 668</b>	<b>(8 463)</b>

**6.8. Income tax**

<i>in PLN 000s</i>	<b>01.01.2017 31.12.2017</b>	<b>01.01.2016 31.12.2016</b>
<b>Current income tax</b>	<b>(263)</b>	<b>(800)</b>
Income tax for the current year	(263)	(800)
Adjustment for previous years	-	-
<b>Deferred tax</b>	<b>321</b>	<b>(78)</b>
Recognition / reversal of temporary differences	321	(78)
Other changes	-	-
<b>Income tax on continuing operations</b>	<b>58</b>	<b>(878)</b>
Income tax on discontinued operations	-	-
Share in the tax of associates and jointly controlled entities	-	-
<b>Income tax recognised in the statement of comprehensive income</b>	<b>58</b>	<b>(878)</b>

<i>in PLN 000s</i>	<b>01.01.2017 31.12.2017</b>	<b>01.01.2016 31.12.2016</b>
<b>Effective tax rate</b>		
Net profit for the financial year	1 124	2 850
Income tax	58	(878)
<b>Profit before tax</b>	<b>1 066</b>	<b>3 603</b>
Tax, based on the current tax rate (15%/19%)	(203)	(685)
Temporary differences between tax and balance sheet costs and revenue	(194)	1 458
Tax losses for which no deferred tax asset was created	1 518	-
Permanent differences between tax and balance sheet costs and revenue	(142)	(1 651)
Differences resulting from share of profit in limited partnerships	(921)	-
<b>Income tax</b>	<b>58</b>	<b>(878)</b>
<b>Effective tax rate (%)</b>	<b>(4.97%)</b>	<b>24.37%</b>

### 6.9. Property, plant and equipment

<i>in PLN 000s</i>								
	Land	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Tangible assets under construction	Advances for fixed assets	Total
<b>Gross value of property, plant and equipment</b>								
Gross value as at 1 January 2016	2 445	13 545	6 705	884	461	4 140	0	28 180
Acquisition	-	-	21	94	128	16	17	276
Disposal	-	-	-	(899)	-	(62)	-	(961)
Transfer to investment properties	(112)	(1 057)	-	-	-	(153)	-	(1 322)
Other	(1)	-	-	-	-	-	-	(1)
<b>Gross value as at 31 December 2016</b>	<b>2 332</b>	<b>12 488</b>	<b>6 726</b>	<b>79</b>	<b>589</b>	<b>3 941</b>	<b>17</b>	<b>26 172</b>
Gross value as at 1 January 2017	2 332	12 488	6 726	79	589	3 941	17	26 172
Acquisition	-	-	85	401	24	-	-	510
Disposal	-	(145)	(100)	(105)	(351)	-	-	(701)
Transfer to investment properties	-	-	-	-	-	-	-	-
Transfer to inventory	-	-	-	-	-	-	(17)	(17)
Other	-	-	-	45	-	-	-	45
<b>Gross value as at 31 December 2017</b>	<b>2 332</b>	<b>12 343</b>	<b>6 711</b>	<b>420</b>	<b>262</b>	<b>3 941</b>	<b>-</b>	<b>26 009</b>
<i>in PLN 000s</i>								
	Land	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Tangible assets under construction	Advances for fixed assets	Total
<b>Depreciation and impairment</b>								
Depreciation and impairment as at 1 January 2016	(1)	(2 867)	(3 963)	(613)	(422)	(2 682)	-	(10 548)
Depreciation for the period	-	(689)	(984)	(67)	(26)	-	-	(1 766)
Disposal	-	-	-	647	-	31	-	678
Impairment	-	-	-	-	-	-	-	-
Transfer to investment properties	-	300	-	-	-	-	-	300
Liquidation	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	(126)	-	(126)
<b>Depreciation and impairment as at 31 December 2016</b>	<b>(1)</b>	<b>(3 256)</b>	<b>(4 947)</b>	<b>(33)</b>	<b>(448)</b>	<b>(2 777)</b>	<b>-</b>	<b>(11 462)</b>
Depreciation and impairment as at 1 January 2017	(1)	(3 256)	(4 947)	(33)	(448)	(2 777)	-	(11 462)
Depreciation for the period	-	(664)	(866)	(56)	(29)	-	-	(1 616)
Disposal	-	7	96	25	351	-	-	479
Impairment	-	-	-	-	-	-	-	-
Transfer to investment properties	-	-	-	-	-	-	-	-
Liquidation	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Depreciation and impairment as at 31 December 2017</b>	<b>(1)</b>	<b>(3 913)</b>	<b>(5 717)</b>	<b>(64)</b>	<b>(126)</b>	<b>(2 777)</b>	<b>-</b>	<b>(12 599)</b>

Additional information and explanations to the consolidated financial statements constitute an integral part thereof.

<b>Net value</b>								
At 1 January 2016	2 444	10 678	2 742	271	39	1 458	0	17 632
At 31 December 2016	2 331	9 232	1 779	46	141	1 164	17	14 710
At 1 January 2017	2 331	9 232	1 779	46	141	1 164	17	14 710
At 31 December 2017	2 331	8 430	994	356	136	1 164	-	13 411

***Property, plant and equipment used under lease contracts***

The Group uses tangible assets under financial leasing. Net balance sheet value of leased tangible assets as at 31 December 2017 was PLN 361 000 (31 December 2016: PLN 11 000). These assets also constitute security for repayment of lease liabilities.

***Collateral***

At the end of the reporting period, PLN 9 332 000 (net balance sheet value) in properties recognised as property, plant and equipment constituted collateral for bank credit and bonds (31 December 2016: PLN 11 667 000) (see notes 6.20 and 6.21).

***Tangible assets under construction***

Tangible assets under construction concerns mainly projects connected with renewables that are being implemented by Bioenergia Plus Sp. z o.o., Zielone Tarasy S.A. and Bioenergia Plus Sp. z o.o. 01 SKA (PLN 1 163 000 net in 2017, PLN 1 164 000 net in 2016). Impairment of tangible assets under construction as at 31 December 2017 was: PLN 2 777 000 (as at 31 December 2016: PLN 2 777 000).

***Impairment of property, plant and equipment***

As at 31 December 2017, property, plant and equipment was subject to testing for impairment at the level of cash generating units by the Parent's Management Board. According to analysis as at the balance sheet date, there were no signs warranting an impairment test.

## 6.10. Intangible assets

<i>in PLN 000s</i>	<b>Goodwill of subsidiaries</b>	<b>Software</b>	<b>Development work</b>	<b>Intangible assets total</b>
<b>Gross value</b>				
<b>Gross value as at 1 January 2016</b>	<b>10 512</b>	<b>936</b>	<b>2 960</b>	<b>14 408</b>
Acquisition	-	72	-	72
Other changes in value	-	5	(309)	(304)
<b>Gross value as at 31 December 2016</b>	<b>10 512</b>	<b>1 013</b>	<b>2 651</b>	<b>14 176</b>
<b>Gross value as at 1 January 2017</b>				
Acquisition	-	25	-	25
Disposal	-	(31)	-	(31)
Liquidation	-	(10)	-	(10)
Other changes in value (liquidation of company)	(10 512)	-	-	(10 512)
<b>Gross value as at 31 December 2017</b>	<b>-</b>	<b>997</b>	<b>2 651</b>	<b>3 648</b>
<b>Amortisation and impairment</b>				
<b>Amortisation and impairment as at 1 January 2016</b>	<b>(10 512)</b>	<b>(700)</b>	<b>-</b>	<b>(11 212)</b>
Depreciation for the period	-	(143)	-	(143)
Other changes in value	-	(6)	-	(6)
<b>Amortisation and impairment as at 31 December 2016</b>	<b>(10 512)</b>	<b>(850)</b>	<b>-</b>	<b>(11 362)</b>
<b>Amortisation and impairment as at 1 January 2017</b>				
Depreciation for the period	-	(69)	-	(69)
Disposal	-	9	-	9
Liquidation	-	10	-	10
Other changes in value (liquidation of company)	10 512	-	-	10 512
<b>Amortisation and impairment as at 31 December 2017</b>	<b>-</b>	<b>(900)</b>	<b>-</b>	<b>(900)</b>
<b>Net value</b>				
<b>At 1 January 2016</b>	<b>-</b>	<b>236</b>	<b>2 960</b>	<b>3 196</b>
<b>At 31 December 2016</b>	<b>-</b>	<b>164</b>	<b>2 651</b>	<b>2 815</b>
<b>At 1 January 2017</b>	<b>-</b>	<b>164</b>	<b>2 651</b>	<b>2 815</b>
<b>At 31 December 2017</b>	<b>-</b>	<b>97</b>	<b>2 651</b>	<b>2 748</b>

The Group's development works include expenditures on the project "Development of an innovative fertiliser using digestate," co-financed by the National Centre for Research and Development. The Group changed the presentation method for this asset item, recognising the amount of expenditures, less the amount of grant. At 31 December 2017, the value of expenditures to develop fertiliser technology was PLN 8 558 000, and the grant value was PLN 6 032 000. In 2016-2017, expenditures on R&D were not directly recognised in operating expenses. An impairment test on development work as at 31 December 2017 showed that no impairment took place because the fair value to be obtained from the sale of this project less selling costs is higher than the expenditures incurred.

### *Amortisation of intangible assets*

Amortisation of intangible assets is recognised in amortisation costs.

*Additional information and explanations to the consolidated financial statements constitute an integral part thereof.*



### Goodwill of subsidiaries

In connection with the liquidation of subsidiary Multiserwis S.A. w likwidacji and its removal from the Register of Companies at the National Court Register on 5 October 2017, the amount of PLN 10 512 000 is no longer recognised as goodwill of subsidiaries and impairment of goodwill of PLN (10 512 000). At the balance sheet date, the Group did not have any assets classified as goodwill.

### 6.11. Investment properties

The fair value of investment properties is classified as level 3 in the fair value hierarchy under a cyclical measurement. Presented below are the opening and closing balances of fair value:

<i>in PLN 000s</i>	<b>Fair value</b>
<b>Net value at the beginning of 2016</b>	<b>76 552</b>
Transfer from inventory	741
Reclassification from tangible assets	1 243
Transfer to inventory	(1 607)
Change in fair value	2 204
<b>Net value at the end of 2016</b>	<b>79 133</b>
<b>Net value at the beginning of 2017</b>	<b>79 133</b>
Transfer to available-for-sale non-current assets*	(7 594)
Change in fair value	(1 846)
<b>Net value at the end of 2017</b>	<b>69 693</b>

\* A preliminary agreement to sell a property in Kraków, ul. Wadowicka 9 (plots 157/5, 157/6, 155, 156, 317) was signed on 2 October 2017.

<i>in PLN 000s</i>	<b>01.01.2017 31.12.2017</b>	<b>01.01.2016 31.12.2016</b>
<b>Recognised in comprehensive income</b>		
Rent income on investment properties	7 754	7 859
Direct operating expenses (together with the cost of construction, repairs and maintenance) concerning investment properties that yielded rent income during the reporting period	(709)	(1 207)
Direct operating expenses (together with the cost of construction, repairs and maintenance) concerning investment properties that did not yield rent income during the reporting period	(4)	(4)
<b>Total</b>	<b>7 041</b>	<b>6 648</b>

Investment properties cover:

- Land located in Lublin, ul. Łukasza Rodakiewicza (land parcels 32/6, 33/6, 34/6, 35/6),
- Two apartments located in Lublin, ul. Przyjaźni and ul. Nowy Świat,
- Three service units located in Lublin, ul. Kasztelańska 29,
- Commercial properties located in Kalisz, ul. W. Polskiego 135 (plots 18/2, 20/3, 21/2, 38/6, 38/7, 38/9), and in Łódź, ul. Włókniarzy 236 (plot 13/2), Gorzów Wielkopolski, ul. Piłsudskiego 57 (plot 662/1), Inowrocław, ul. Górnicza 21 (plot 125/2), Milejów, ul. Partyzancka 11A (plot 515/40);
- Land properties with residential multi-family buildings (TBS buildings) located in Lublin, ul. Kaskadowa 7, ul. Nowy Świat 34A, ul. Pergolowa 2 and ul. Relaksowa 4, and located in Kraśnik, ul. Piaskowa 30 and ul. Rumiankowa 9,
- Land property with commercial buildings located in Zamość, ul. Fabryczna 1.

For the purposes of investment property valuation, the Group commissions independent appraisers with the relevant authorisations to prepare appraisal reports with market value.

In order to determine the fair value, the appraiser determines the optimal or most likely means of use for the property and selects the appropriate valuation method. The appraiser particularly takes into consideration the objective of the valuation, type and location of the property, target use in the local spatial development plan, level of technical infrastructure and available data about prices, income features and characteristics of similar properties.

In the valuation reports presented by appraisers, used by the Group for accounting purposes, the following methods of establishing the fair value of property are used:

- comparative approach by average price adjustment,
- pairwise comparison method,
- investment method - income approach.

Additional information and explanations to the consolidated financial statements constitute an integral part thereof.

The following key assumptions were used in the income approach:

Key assumptions	Values	Co-dependency between the key unobservable inputs and fair value
Yield of 10-year bonds	2.5%	Fair value increases as bond yield grows
Rent levels	PLN 5/sqm - PLN 32/sqm	Fair value increases as rent levels increase
Number of years for perpetual usufruct rights	99 years	Fair value decreases as number of years increases
Number of years of unused perpetual usufruct rights	69 years	Fair value increases as number of years increases
% rate of annual fee for perpetual usufruct rights	3%	Fair value decreases as fee levels increase
Capitalisation rate	7.52%-11%	Fair value decreases as capitalisation rate increases
Forecast period for future inflows	From 1 to 4 years	Fair value increases as future inflows increase

The following key assumptions were used in the comparative approach:

Key assumptions	Values	Co-dependency between the key unobservable inputs and fair value
Location	20%-40%	Fair value increases/decreases as adjustment coefficient increases/decreases
Finishing standard	30%	
Technical standard	20%	
Surroundings and neighbourhood	15%	
Communication access	10%-15%	
Target use of land	5%-20%	
Shape of land parcel	10%-20%	
Land area	10%-20%	
Media infrastructure	5%	
Rights to property	5%	

Valuation methodology based on prices and other significant information from market transactions involving comparable (e.g. similar) assets, adjusted by several coefficients in order to ensure the comparability of transactions.

In the year ended 31 December 2017, no changes took place as to valuation methodologies for assets classified as level 3 in the fair value hierarchy.

At the end of the reporting period, PLN 43 403 000 worth of the Group's investment properties constituted collateral for bank credit and finance lease contracts (31 December 2016: PLN 43 668 000).

### 6.12. Other non-current assets

<i>in PLN 000s</i>	<b>31.12.2017</b>	<b>31.12.2016</b>
Deposits	1 289	567
Other	224	320
	<b>1 513</b>	<b>887</b>

As at 31 December 2017, the Group recognised PLN 1 251 000 in other non-current assets, consisting of deposits provided as security for a finance lease (31 December 2016: PLN 567 000).

### 6.13. Non-current assets held for sale

<i>in PLN 000s</i>	<b>31.12.2017</b>	<b>31.12.2016</b>
Commercial properties	7 594	-
	<b>7 594</b>	<b>0</b>

\* A preliminary agreement to sell a property in Kraków, ul. Wadowicka 9 (plots 157/5, 157/6, 155, 156, 317) was signed on 2 October 2017.

### 6.14. Deferred tax

Deferred income tax assets and liabilities were created in respect of all temporary differences on the asset and liability items presented below:

<i>in PLN 000s</i>	<b>Assets</b>		<b>Provisions</b>		<b>Net value</b>	
	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Property, plant and equipment	-	-	(2)	(3)	(2)	(3)
Investment properties	224	-	(651)	(738)	(427)	(738)
Leasing	-	-	(6)	-	(6)	-
Impairment of inventory and PP&E	128	23	-	-	128	23
Employee benefits	16	17	-	-	16	17
Impairment of receivables	133	345	-	-	133	345
Liabilities, provisions and the related assets	34	52	-	-	34	52
Unpaid remuneration	14	22	-	-	14	22
Contractual penalties charged	-	-	(1)	(1)	(1)	(1)
Interest due	-	-	(957)	(1 943)	(957)	(1 943)
Interest charged	1 895	680	-	-	1 895	680
Tax losses subject to deduction in future periods	2 417	4 503	-	-	2 417	4 503
Impairment of shares	760	4 331	-	-	760	4 331
Other	26	134	-	-	26	134
Impairment of deferred tax assets	(3 813)	(7 525)	-	-	(3 813)	(7 525)
Deferred income tax assets / (liabilities)	1 834	2 582	(1 617)	(2 686)	217	(104)
Offsetting	(1 258)	(2 078)	1 258	2 078	-	-
<b>Deferred income tax assets / (liabilities) recognised in the balance sheet</b>	<b>576</b>	<b>504</b>	<b>(359)</b>	<b>(608)</b>	<b>217</b>	<b>(104)</b>

### Change in temporary differences during the period

<i>in PLN 000s</i>	<b>As at 31 Dec 2016</b>	<b>Change in temporary differences recognised in the statement of comprehensive income</b>	<b>As at 31 Dec 2017</b>
Property, plant and equipment	(3)	1	(2)
Investment properties	(738)	311	(427)
Leasing	-	(6)	(6)
Impairment of inventory and PP&E	23	105	128

Additional information and explanations to the consolidated financial statements constitute an integral part thereof.

Employee benefits	17	(1)	16
Impairment of receivables	345	(212)	133
Liabilities, provisions and the related assets	52	(18)	34
Unpaid remuneration	22	(8)	14
Contractual penalties charged	(1)	-	(1)
Interest due	(1 943)	986	(957)
Interest charged	680	1 215	1 895
Tax losses subject to deduction in future periods	4 503	(2 086)	2 417
Impairment of shares	4 331	(3 571)	760
Other	134	(108)	26
Impairment of deferred tax assets	(7 525)	3 712	(3 813)
	<b>(104)</b>	<b>321</b>	<b>217</b>

<i>in PLN 000s</i>	As at 31 Dec 2015	Change in temporary differences recognised in the statement of comprehensive income	As at 31 Dec 2016
Property, plant and equipment	157	(160)	(3)
Investment properties	(908)	170	(738)
Leasing	10	(10)	-
Impairment of inventory and PP&E	208	(185)	23
Employee benefits	38	(21)	17
Impairment of receivables	5	340	345
Liabilities, provisions and the related assets	145	(93)	52
Unpaid remuneration	28	(6)	22
Contractual penalties charged	(156)	155	(1)
Interest due	(1 062)	(881)	(1 943)
Interest charged	489	191	680
Tax losses subject to deduction in future periods	1 898	2 605	4 503
Costs of investment supervision	(81)	81	-
Impairment of shares		4 331	4 331
Other	694	(560)	134
Impairment of deferred tax assets	(1 489)	(6 036)	(7 525)
	<b>(24)</b>	<b>(80)</b>	<b>(104)</b>

In 2013-2017, the Group generated a tax loss of PLN 23 305 000, which can be realised in future periods. The Group created a deferred tax asset on the tax loss of PLN 2 417 000. In its financial statements, the Group offsets the deferred tax asset with a deferred tax provision, and the excess is covered by an impairment loss. In connection with the above, the Group's financial statements do not contain a tax loss asset that can be realised in future periods. The table below presents tax loss amounts by year

	2017	2016	2015	2014	2013	Total
Loss amount	1 508	6 119	6 315	8 205	1 158	23 305

### 6.15. Inventory

<i>in PLN 000s</i>	31.12.2017	31.12.2016
Materials	657	581
Production in progress	57 841	48 054
Finished products	25 812	36 596
Goods	968	419
	<b>85 278</b>	<b>85 650</b>

As at 31 December 2017, PLN 528 000 in interest and commission on bank credit was capitalised on the Group's inventory (31 December 2015: PLN 518 000), of which PLN 83 000 in interest accrued in 2017 was capitalised.

Additional information and explanations to the consolidated financial statements constitute an integral part thereof.

**Inventory by category, as at 31 December 2017**

<i>in PLN 000s</i>	<b>Materials</b>	<b>Production in progress</b>	<b>Finished products</b>	<b>Goods</b>
Osiedle Marina investment, Lublin	-	9 022	13 194	-
Misjonarska 12 investment, Lublin	-	-	1 464	-
Miasteczko Wikana investment, Lublin	-	-	5 472	-
Niecała investment, Lublin	-	3 497	-	-
Sky House investment, Lublin	-	5 112	542	-
Osiedle Cetnarskiego investment, Łańcut	-	-	-	-
Tęczowe Osiedle investment, Rzeszów	-	-	-	-
Zielone Tarasy investment, Rzeszów	-	13 825	2 398	-
Podpromie investment, Rzeszów	-	5 901	-	-
Osiedle Panorama investment, Rzeszów	-	-	5	-
Klonowy Park investment, Janów Lubelski	-	628	1 598	-
Investment in Przemyśl	-	3 834	-	-
Świerkowa Aleja investment, Zamość	-	-	195	-
Investment at Al. Kraśnickie	-	5 994	-	-
Investment in Tarnobrzeg	-	8 797	-	-
Orzechowa	-	1 231	-	-
Renewables	657	-	928	-
Retail products	-	-	-	425
Other	-	-	16	543
	<b>657</b>	<b>57 841</b>	<b>25 812</b>	<b>968</b>

The Management Board verified the value of land held by the Group as at 31 December 2017 and concluded that there was no impairment.

The Management Board verified the value of the Group's production in progress as at 31 December 2017 and concluded that there was no impairment due to the following:

- 1) the value of land recorded in the financial statements is below current market value,
- 2) the investments on-going on this land will deliver positive returns,

The Management Board verified the value of finished products as at 31 December 2017 and concluded that no impairment took place because the expected revenue from the investments will be higher than the costs incurred. At 31 December 2017, impairment of finished products was PLN 329 000 (as at 31 December 2016: PLN 560 000).

In 2017, costs of development investments, amounting to PLN 45 646 000, were reclassified from inventory to operating expenses (2016: PLN 44 085 000).

Impairment of inventory in 2017 was PLN 523 000 (2016: PLN 1 009 000). The Group did not reverse any impairment losses on account of growth in the value of inventory. The change in value of inventory between the years results only from sales by the Group of inventory covered by impairment.

Detailed information about inventory used as collateral is presented in a description of credit facilities in note 6.20.

**6.16. Trade and other receivables**

<i>in PLN 000s</i>	<b>31.12.2017</b>	<b>31.12.2016</b>
Trade receivables	2 461	3 377
Other receivables	1 217	643
Tax receivables	3 728	3 450
Prepayments	251	320
	<b>7 657</b>	<b>7 790</b>

Under 'other receivables,' the Group presents advances paid in order to purchase land intended for development activities.

Receivables denominated in currencies other than the functional currency as at 31 December 2017 amounted to PLN 0 (31 December 2016: PLN 0).

Impairment of trade and other receivables as at 31 December 2017 was as follows: PLN 3 151 000, including PLN 986 000 concerning trade receivables (31 December 2016: PLN 1 125 000). Detailed information on the impairment of receivables is presented in note 6.27.

*Additional information and explanations to the consolidated financial statements constitute an integral part thereof.*

### 6.17. Cash and cash equivalents

<i>in PLN 000s</i>	<b>31.12.2017</b>	<b>31.12.2016</b>
Cash on hand and in bank accounts	1 917	3 320
Trustee accounts	3 840	3 950
Restricted bank accounts	4 369	4 027
	<b>10 126</b>	<b>11 297</b>

Cash in bank accounts was held in accounts payable on demand and in overnight and term deposits.

The Group holds PLN 0 in foreign-currency bank accounts.

The item 'trustee accounts' includes funds received from the Group's clients, constituting advances for sale of products, which are deposited in open trustee accounts until the relevant requirements in the Act on protection of rights of buyers of residential premises or single-family houses are met.

The item 'restricted bank accounts' presents funds from bond issues, intended for financing property development projects.

There are no differences between the balance sheet classification of cash and cash equivalents and their classification for the purposes of the statement of cash flows.

### 6.18. Shares and shareholders

#### Share capital

	<b>Shares</b>	
	<b>31.12.2017</b>	<b>31.12.2016</b>
Number of shares at the beginning of period (fully paid-in)	20 014 797	20 014 797
- including own shares	-	-
Disposal of own shares	-	-
Nominal value per share (in PLN)	-	-
Number of shares at the end of period (fully paid-in)	20 014 797	20 014 797
Nominal value per share (in PLN)	2.00	2.00

#### Shareholding structure at 31 December 2017

<b>Shareholder</b>	<b>Number of shares</b>	<b>Number of votes at GM</b>	<b>Nominal value per share</b>	<b>Stake in share capital</b>	<b>Stake in GM votes</b>
VALUE FIZ z wydzielonym Subfunduszem 1*	13 209 766	13 209 766	26 419 532	66.00%	66.00%
Palametra Holdings Limited**	1 612 000	1 612 000	3 224 000	8.05%	8.05%
Other entities	5 193 031	5 193 031	10 386 062	25.95%	25.95%
<b>TOTAL:</b>	<b>20 014 797</b>	<b>20 014 797</b>	<b>40 029 594</b>	<b>100.00%</b>	<b>100.00%</b>

(\*) as per shareholder information dated 29 December 2016

(\*\*) as per shareholder information dated 25 April 2016

The Company's share capital amounts to PLN 40 029 594.00 and is divided into 20 014 797 ordinary bearer shares series G and H, with a nominal value of PLN 2.00 each.

#### Changes in WIKANA S.A.'s shareholding structure during and after the reporting period

In the period from the publication of the preceding quarterly report, i.e. 16 November 2017, to the date on which this report was published, the Group's major shareholdings structure did not change.

## **Dividends paid**

During the period 1 January - 31 December 2017 and until this report was published, Group companies paid out a dividend of PLN 61 000, including PLN 58 000 to related parties. During the period 1 January - 31 December 2016 and until this report was published, none of the Group's companies, including the Parent, paid a dividend.

## **6.19. Earnings per share**

### **Earnings per share for the period ended 31 December 2017**

Basic earnings per share as at 31 December 2017 were calculated based on net profit for the year attributable to the Company's common shareholders in the following amounts:

	<b>01.01.2017 31.12.2017</b>	<b>01.01.2016 31.12.2016</b>
Profit / (loss) per share	1 124	2 850

and the weighted average number of shares as at the date on which the consolidated financial statements were prepared, as below:

### **Weighted average number of ordinary shares**

	<b>31.12.2017</b>	<b>31.12.2016</b>
Number of ordinary shares as at the beginning of period	20 014 797	20 014 797
Capital increase	-	-
Share cancellation	-	-
Number of shares at the end of period (fully paid-in)	<b>20 014 797</b>	<b>20 014 797</b>
	<b>31.12.2017</b>	<b>31.12.2016</b>
Weighted average number of ordinary shares during the period	20 014 797	20 014 797
<b>Weighted average (diluted) number of ordinary shares at the end of period</b>	<b>20 014 797</b>	<b>20 014 797</b>
<b>Basic profit (loss) per share in PLN</b>	<b>0.06</b>	<b>0.14</b>
<b>Diluted profit (loss) per share in PLN</b>	<b>0.06</b>	<b>0.14</b>

## 6.20. Credit and loan liabilities

Breaches of deadlines for principal and interest payments as well as other credit agreement terms did not occur during the period covered by this report, other than with regard to a credit facility granted to WIKANA FORTEM Sp. z o.o. ACER Sp.k. by Raiffeisen Bank Polska S.A. as regards the level of apartment sales. An annex to the credit agreement was signed. At the date on which these financial statements were approved for publication, the credit facility was fully repaid.

<b>Borrowings by type</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<i>in PLN 000s</i>		
Credit facilities	28 466	27 570
Loans	17 320	13 189
<i>including:</i>		
Short-term part	21 672	17 655
Long-term part	24 114	23 104
<b>Borrowings with repayment period from the balance sheet date</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<i>in PLN 000s</i>		
up to 12 months	21 672	17 655
from 1 to 3 years	9 174	7 244
from 3 to 5 years	3 989	3 683
over 5 years	10 951	12 177
<b>Total borrowings</b>	<b>45 786</b>	<b>40 759</b>

  

<b>Borrowings (currency structure)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<i>in PLN 000s</i>		
in PLN	42 294	36 496
in foreign currencies	3 492	4 263
<b>Total borrowings</b>	<b>45 786</b>	<b>40 759</b>

### List of credit facilities, including credit limits

Lender	Agreement number, agreement date	Issued amount (in PLN 000s)	Amount of liability in PLN 000s	Repayment date	Interest	Collateral
Deutsche Bank PBC S.A.	KNK/1207991 26.04.2012	4 515	2 748	30.04.2027	Variable	EUR 31 000 cash deposit; mortgage up to EUR 1 575 000 on a property; assignment of rights to insurance policy; court-ordered registered pledge on the general partner's shares; power of attorney to other bank accounts; in-blanco promissory note; declaration on submission to enforcement proceedings, surety by Wikana SA; assignment of rights to a bank guarantee
Deutsche Bank PBC S.A.	KNK/1300999 17.01.2013	1 868	743	01.02.2021	Variable	mortgage up to EUR 675 000 on a property owned by the borrower; assignment of rights to a property insurance policy, an amount no lower than PLN 5 060 000; court-ordered registered pledge on shares in Wikana Nieruchomości Sp. z o.o.; in-blanco promissory note guaranteed by Wikana S.A.; declaration on submission to enforcement proceedings; irrevocable power of attorney to current account and other accounts maintained by the bank; indefinite surety by Wikana S.A. pursuant to civil law up to EUR 675 000; assignment of rights to a bank guarantee issued as collateral for repayment of lease contracts, a cash deposit of at least EUR 21 000

Additional information and explanations to the consolidated financial statements constitute an integral part thereof.



BGK	12001745/233/2000 15.12.2000	1 719	1 560	20.08.2045	Variable	deposit mortgage up to PLN 2 579 000 on property belonging to borrower, assignment of rights to insurance policy for the property being financed assignment of receivables from rent payments, up to a total of PLN 56 000 per year that are sent to any of the bank accounts, insurance agreement for up to PLN 150 000
BGK	12001745/83/2002 24.07.2002	2 900	1 970	25.01.2037	Variable	deposit mortgage up to PLN 4 380 000 on property belonging to borrower, assignment of rights to insurance policy for the property being financed assignment of receivables from rent payments, up to a total of PLN 124 000 per year that are sent to any of the bank accounts,
BGK	12001745/152/2002 27.09.2002	4 000	3 504	25.12.2038	Variable	deposit mortgage up to PLN 6 000 000 on property belonging to borrower, assignment of rights to insurance policy for the property being financed assignment of receivables from rent payments, up to a total of PLN 171 000 per year that are sent to any of the bank accounts,
BGK	12001745/64/2003 27.05.2003	7 300	4 122	25.08.2030	Variable	deposit mortgage up to PLN 10 950 000 on property belonging to borrower, assignment of rights to insurance policy for the property being financed assignment of receivables from rent payments, up to a total of PLN 335 000 per year that are sent to any of the bank accounts,
BGK	12001745/1058/2006 05.09.2006	2 454	1 428	25.04.2030	Variable	deposit mortgage up to PLN 3 681 000 on property belonging to borrower, assignment of rights to insurance policy for the property being financed assignment of receivables from rent payments, up to a total of PLN 120 000 per year that are sent to any of the bank accounts,
BGK	12001745/1059/2006 05.09.2006	4 164	2 462	25.07.2030	Variable	deposit mortgage up to PLN 6 246 000 on property belonging to borrower, assignment of rights to insurance policy for the property being financed assignment of receivables from rent payments, up to a total of PLN 196 000 per year that are sent to any of the bank accounts,
BOŚ S.A.	S/94/07/2012/1144/K/IN W/EKO/EK O 13.09.2012	7 420	759	16.08.2019	Variable	mortgage up to PLN 11 130 000 on a property owned by a natural person; consent was given for a fee, a mortgage of up to PLN 11 130 000 was established on a property owned by the borrower; assignment of rights to the insurance policy for the property that the mortgage was established on; power of attorney to the borrower's current account maintained by the lender; in-blanco promissory note guaranteed by Wikana S.A.
Raiffeisen Polska S.A.	CRD/46948/16 27.07.2016	9 000	2 244	30.03.2018	Variable	Joint contractual mortgage up to PLN 13 500 000 on properties and pledge contracts up to the same amount on the company's assets, equity rights at Wikana S.A. and the company's general partner, submission for enforcement, power of attorney for bank accounts, assignment of receivables under contract with general contractor, assignment of rights under subordinated loans, assignment of rights under the project's

Additional information and explanations to the consolidated financial statements constitute an integral part thereof.

insurance policy, guarantee from Wikana S.A., accession into debt by Wikana S.A.

Nadsański Bank Spółdzielczy	473051/03/K/OBD/16 10.11.2016	5 335	1 467	30.09.2018	Variable	Joint contractual mortgage for up to PLN 9 069 000 on the properties that are to be used for the investment, global assignment of future receivables resulting from apartment sales contracts, assignment of rights to construction documentation with condition precedent, own blank promissory note secured by Wikana SA, power of attorney for bank accounts, declaration on submission to enforcement for borrower and surety issuer
mBank Hipoteczny S.A.	17/0015 20.04.2017	11 329	1 212	28.04.2021	Variable	Joint contractual mortgage up to PLN 22 658 000 on the properties that are to be used for the investment, statement submission for enforcement by the company, general partner and Wikana S.A., as well as registered pledge contracts up to the loan amount on the company's assets and the general partner's shares, assignment of rights under the project's insurance policy, assignment of rights under contract with general contractor, power of attorney for bank accounts
mBank Hipoteczny S.A.	NR 17/0051 24.08.2017	31 495	4 247	28.08.2021	Variable	Contractual mortgage, unconditional bank transfer, pledges registered in accordance with the agreement, financial pledge, assignment of rights to the Bank from agreements with general contractor and other construction counterparties, project support agreement, subordination agreement, sureties, unconditional bank transfer.
mBank Hipoteczny S.A.	NR 17/0055 05.10.2017	18 710	0	28.09.2021	Variable	Contractual mortgage, unconditional bank transfer, pledges registered in accordance with the agreement, financial pledge, assignment of rights to the Bank from agreements with general contractor and other construction counterparties, project support agreement, declaration on submission for enforcement by the Company, General Partner and WIKANA S.A., power of attorney for the Bank to bank accounts, subordination agreement, sureties, unconditional bank transfer.
<b>Total</b>		<b>112 209</b>	<b>28 466</b>			

#### List of loans

Lender	Agreement date	Issued amount in PLN 000s	Amount of liability in PLN 000s	Repayment date	Interest	Collateral
Agnieszka Buchajska	05.07.2013	300	409	31.12.2018	Variable	Own promissory note issued by borrower
	22.05.2013	70	89	31.12.2018	Variable	Own promissory note issued by borrower

Additional information and explanations to the consolidated financial statements constitute an integral part thereof.

	31.12.2015	95	108	31.12.2018	Variable	
Palametra Holdings Limited (formerly: Renale Management Limited)	13.09.2013 04.03.2014	3 530 150	3 612 186	31.12.2018 31.12.2018	Variable Variable	Own promissory note issued by borrower Own promissory note issued by borrower
Palametra Holdings Limited (formerly: Ipnihome Limited)	30.10.2012 04.03.2014 31.12.2015	1 300 100 110	1 287 124 125	31.12.2018 31.12.2018 31.12.2018	Variable Variable Variable	In-blanc o own promissory note issued by borrower In-blanc o own promissory note issued by borrower
National Fund for Environmental Protection and Water Management	231/2011/Wn 03/OA-MO-KU/P 14.06.2011 as amended	4 062	1 970	20.12.2020	Variable	Promissory note, mortgage on properties, assignment of rights, court-ordered pledge
Sanwil Holding S.A.	21.11.2013 03.07.2013	700 357	799 413	31.01.2019 31.12.2018	Variable Variable	Own promissory note issued by the borrower Own promissory note issued by the borrower
Sanwil Holding S.A.	30.12.2013	1 000	1 137	31.01.2019	Variable	Own promissory note issued by borrower
Sanwil Holding S.A.	03.07.2012	2 000	2 542	31.12.2018	Variable	Own promissory note issued by borrower
VALUE FIZ	31.08.2017	4 300	4 416	31.12.2018	Fixed	Own promissory note issued by borrower
Other		-	103			None
<b>Total</b>		<b>18 074</b>	<b>17 320</b>			

## 6.21. Bond liabilities

<i>in PLN 000s</i>	<b>01.01.2017 31.12.2017</b>	<b>01.01.2016 31.12.2016</b>
<b>Bond liabilities at the beginning of period</b>	<b>39 256</b>	<b>50 861</b>
Issuance costs at the beginning of period	-	66
<i>Proceeds from bond issues</i>	<i>6 516</i>	<i>5 000</i>
<i>Issuance costs in the period</i>	<i>-</i>	
Net proceeds from bond issues	6 516	5 000
Cost of bond issues settled over time	24	-
Interest recognised as finance costs	3 226	4 062
Repayment of interest accrued in previous periods	(925)	(961)
Repayment of interest accrued in current period	(2 746)	(3 532)
Bond buyback	(11 612)	(16 240)
<b>Total</b>	<b>33 739</b>	<b>39 256</b>
Short-term part	33 739	39 256
Long-term part	-	-
<b>Bond liabilities at the end of period</b>	<b>33 739</b>	<b>39 256</b>

**Debt instruments by type**

	Nominal amount	Terms of interest	Guarantees / collateral	Maturity date
Series B ordinary bonds issued by WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A. (formerly WIKANA PROPERTY Sp. z o.o. CORYLUS S.K.A.)	22 000	Fixed interest	Declaration on submission to enforcement proceedings, surety issued by select WIKANA Group companies, including WIKANA S.A., assignment of parts of shares in select WIKANA Group companies owned by WIKANA S.A.	31.12.2018
Series A ordinary bonds issued by WIKANA PROPERTY Sp. z o.o. ROSA S.K.	5 000	Fixed interest	Declaration on submission to enforcement proceedings	31.03.2018 (deadline extended to 31.12.2018)
Series A ordinary bonds issued by WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A.	6 516	Fixed interest	Declaration on submission to enforcement proceedings, surety provided by the Company	31.12.2018

**Bond liabilities by maturity**

<i>in PLN 000s</i>	<b>31.12.2017</b>	<b>31.12.2016</b>
up to 12 months	33 739	39 256
<b>Bond liabilities</b>	<b>33 739</b>	<b>39 256</b>

## 6.22. Finance lease liabilities

Nominal value of minimum lease payments

Leasing, with maturity left from the balance sheet date <i>in PLN 000s</i>	31.12.2017	31.12.2016
up to 12 months	1 780	1 773
from 1 to 3 years	3 352	3 494
from 3 to 5 years	3 396	3 494
over 5 years	15 532	18 122
<b>Lease liabilities</b>	<b>24 060</b>	<b>26 883</b>

Present value of minimum lease payments

Leasing, with maturity left from the balance sheet date <i>in PLN 000s</i>	31.12.2017	31.12.2016
up to 12 months	899	815
from 1 to 3 years	1 870	1 711
from 3 to 5 years	1 992	1 908
over 5 years	13 304	15 064
<b>Lease liabilities</b>	<b>18 065</b>	<b>19 498</b>
<b>Cost of interest</b>	<b>5 995</b>	<b>7 385</b>

At the balance sheet date and at 31 December 2017, no provisions of credit agreements, loan agreements and agreements concerning bond issuance were infringed, except as listed in point 6.20 above.

## 6.23. Changes in the balance sheet values of liabilities related to financing the entity's activities

	Non-current borrowings	Current borrowings	Finance leases	Bonds	Promissory note liabilities	Total
<b>Value at the beginning of period</b>	23 104	17 655	19 498	39 256	10 271	<b>109 784</b>
Cash changes (repayments/incurrence of capital/interest)	4 622	(615)	(1 882)	(8 767)	(8 157)	<b>(14 799)</b>
Non-cash changes - Increases (e.g. accrual of interest)	(1 362)	2 614	1 312	3 225	565	<b>6 354</b>
Non-cash changes - Discount	-	-	-	25	-	<b>25</b>
Reclassification from long-term to short-term	(2 046)	2 046				
Non-cash changes - Effect of exchange differences	(204)	(28)	(863)	-	-	<b>(1 095)</b>
Non-cash changes - Changes in fair value	-	-	-	-	-	<b>-</b>
<b>Value at the end of period</b>	<b>24 114</b>	<b>21 672</b>	<b>18 065</b>	<b>33 739</b>	<b>2 679</b>	<b>100 269</b>

## 6.24. Deferred revenue

Deferred revenue comprises mainly advances from customers for apartment purchases and interest charged on overdue payments. Advances received from customers are presented by project, as below. This item also includes grants amounting to PLN 2 774 000.

<i>in PLN 000s</i>	31.12.2017	31.12.2016
Sky House investment	1 885	3 528
Zielone Tarasy investment	3 727	2 330
Osiedle Marina investment	5 634	707
Świerkowa Aleja investment	149	516
Miasteczko Wikana investment	472	1 033
Osiedle Panorama investment	-	5

Additional information and explanations to the consolidated financial statements constitute an integral part thereof.

Osiedle Generalskie investment	-	-
Osiedle Cetnarskiego investment	-	-
Oranżeria investment	-	-
Nova Targowa investment	3 546	174
Tęczowe Osiedle investment	-	517
Misjonarska 12 investment	56	331
Klonowy Park investment	74	-
Grants	2 774	3 273
<i>including long-term</i>	2 416	2 741
<i>including short-term</i>	358	532
Advance on sale of land	400	-
Other	-	-
	<b>18 717</b>	<b>12 414</b>

Grants presented in equity and liabilities relate to financing for the construction of a tangible asset in the form of a bio-gas plant. These grants, in contrast to grants used for producing intangible assets, are not presented in assets and do not decrease the initial value of the tangible asset.

## 6.25. Provisions

<b>in PLN 000s</b>	<b>Legal</b>	<b>Liabilities</b>	<b>Employee</b>	<b>Total</b>
Value as at 1 January 2017	174	2 592	113	2 879
Increases / recognition	1 896	2 148	-	4 044
Decreases / use	(41)	(1 742)	(26)	(1 809)
<b>Value as at 31.12.2017</b>	<b>2 029</b>	<b>2 998</b>	<b>87</b>	<b>5 114</b>
Long-term part	-	-	9	9
Short-term part	2 029	2 998	78	5 105
<b>Value as at 31.12.2016</b>	<b>174</b>	<b>2 592</b>	<b>113</b>	<b>2 879</b>
Long-term part	-	-	9	9
Short-term part	174	2 592	104	2 870

The legal liabilities provision covers the amount of potential penalties that the Group may face due to contracts, with a probability of more than 50% (according to the Company's Management Board), as well as legal cases against Group entities, where the likelihood of winning is lower than 50% (according to the Company's Management Board).

The amounts of provisions are estimated according to the Company's Management Board's best knowledge and based on analysis of similar cases, which could have taken occurred in previous periods.

The exercise dates for the provisions for penalties, losses and court cases are not possible to estimate, however there is a high likelihood that this will happen within 12 months from the balance sheet date.

## Court proceedings

The Group is a party to proceedings before common courts. At 31 December 2017 the Group estimated the risk of losing the on-going court proceedings on the basis of the state of the cases and the obtained evidence. Given the fact that disclosing the companies that are parties to the disputes, as well as their subjects and values, would weaken, in the Group's assessment, the Group's negotiating position in the on-going proceedings, the Group decided not to disclose this data.

## 6.26. Trade and other payables and other liabilities

<i>in PLN 000s</i>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Other non-current liabilities</b>	<b>16 020</b>	<b>16 945</b>
Retained deposits - long-term part	2 457	3 204
Accounting of credit write-off and participation - long-term part	8 735	8 869
Long-term participation contributions provided	4 738	4 752
Other non-current liabilities	90	120
<b>Trade and other payables Current liabilities</b>	<b>13 845</b>	<b>25 813</b>

Additional information and explanations to the consolidated financial statements constitute an integral part thereof.

Trade payables	6 892	9 869
Retained deposits - short-term part	1 034	998
Liabilities towards public authorities	662	1 900
Other liabilities	5 027	12 669
Accrued expenses	-	145
Accounting of credit write-off and participation - short-term part	100	100
Liabilities due to purchase of PP&E	130	132
<b>Total</b>	<b>29 865</b>	<b>42 758</b>

Participation contributions provided are financial contributions towards the construction of a flat, which gives rights to rent the flat from the social construction association (TBS). To obtain such right, the participant must execute an agreement with the TBS. The participation amounts to 30% of the flat's value. If the agreement is terminated, the participation contribution is returned.

The Group's liabilities due to retained deposits primarily concern deposits from general contractors working on specific projects. Deposits are retained by the Group through an appropriately reduced payment to the general contractor for a three-year period from handover of the investment in order to secure any potential costs that might arise in connection with repairs.

Other liabilities also include the Group's liabilities due to promissory note agreements, taxes, social security contributions, remuneration and accruals.

Liabilities denominated in currencies other than the functional currency comprise EUR-denominated liabilities on credit agreements and finance leasing, amounting to EUR 4 171 000, which corresponds to PLN 16 886 000 (31 December 2016: PLN 19 017 000). The Company does not have any foreign-currency trade payables.

#### 6.27. Foreign exchange risk

The Group is exposed to foreign exchange risk mainly in connection with finance lease contracts and credit facilities taken out to purchase investment property. These transactions are in EUR. The Group continuously monitors its currency position.

<i>Foreign currency-denominated liabilities</i>	<b>31.12.2017</b>		<b>31.12.2016</b>	
	PLN	EUR	PLN	EUR
Leasing	13 906	3 334	14 754	3 335
Credit	3 493	837	4 263	964
<b>Total</b>	<b>17 399</b>	<b>4 171</b>	<b>19 017</b>	<b>4 299</b>

Moreover, the Group collects rent from some tenants at investment properties that is denominated in EUR. In 2017, this liability amounted to EUR 834 000, which corresponds to PLN 3 533 000 (31 December 2016: PLN 3 637 000).

If foreign-currency receivables and payables as at 31 December 2017 and 31 December 2016 were to be converted, a 5% change in the foreign currency's value in relation to PLN would have the following impact on profit before tax:

	<b>31.12.2017</b>		<b>31.12.2016</b>	
	<b>5% growth</b>	<b>5% decline</b>	<b>5% growth</b>	<b>5% decline</b>
EUR-denominated payables	(870)	870	(1 188)	1 188
EUR-denominated receivables	-	-	3	(3)
	<b>(870)</b>	<b>870</b>	<b>(1 185)</b>	<b>1 185</b>

## 6.28. Financial instruments and foreign exchange risk management

### Classification of assets into categories of financial instruments

<i>in PLN 000s</i>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Loans and receivables</b>	<b>13 948</b>	<b>15 924</b>
Loan	71	40
Trade receivables	2 462	4 020
Long-term deposits	1 289	566
Cash	10 126	11 297

### Classification of financial liabilities into categories of financial instruments

<i>in PLN 000s</i>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Financial liabilities measured at amortised cost</b>	<b>107 973</b>	<b>113 584</b>
Credits and loans	45 786	40 759
Trade payables	6 892	9 869
Bonds	33 739	39 256
Deposits	3 491	4 202
Leasing	18 065	19 498



**Revenue, cost, profit and loss items recognised in profit or loss, by category of financial instruments**

31.12.2017	Loans and receivables					Liabilities carried at amortised cost					
	Credits and loans	Receivable s	Deposits	Cash	Leasing	Credits and loans	Trade payables	Bonds	Deposits	Leasing	<b>Total</b>
<i>in PLN 000s</i>											
<b>Interest income/costs recognised in:</b>	14	7	-	9	-	(2 287)	(20)	(3 241)	-	(943)	(6 461)
<i>Other operating revenue</i>	-	-	-	-	-	-	-	-	-	-	-
<i>Other operating expenses</i>	-	-	-	-	-	-	-	-	-	-	-
<i>Finance income</i>	14	7	-	9	-	-	-	-	-	-	30
<i>Finance costs</i>	-	-	-	-	-	(2 287)	(20)	(3 241)	-	(943)	(6 491)
<b>Gain (loss) on exchange differences, recognised in:</b>	209	-	-	-	777	-	(14)	-	-	-	972
<i>Other operating revenue</i>	-	-	-	-	-	-	-	-	-	-	-
<i>Finance income</i>	209	-	-	-	777	-	-	-	-	-	986
<i>Finance costs</i>	-	-	-	-	-	-	(14)	-	-	-	(14)
<b>Recognition of impairment recognised in:</b>	-	-	-	-	-	-	(206)	-	-	-	(206)
<i>Expenses by nature</i>	-	-	-	-	-	-	(1)	-	-	-	(1)
<i>Other operating expenses</i>	-	-	-	-	-	-	(205)	-	-	-	(205)
<b>Reversal of impairment recognised in:</b>	-	141	-	-	-	-	-	-	-	-	141
<i>Expenses by nature</i>	-	-	-	-	-	-	-	-	-	-	-
<i>Other operating revenue</i>	-	141	-	-	-	-	-	-	-	-	141
<b>Net profit / (loss) on continuing operations</b>	<b>223</b>	<b>148</b>	<b>-</b>	<b>9</b>	<b>777</b>	<b>(2 287)</b>	<b>(240)</b>	<b>(3 241)</b>	<b>-</b>	<b>(943)</b>	<b>(5 554)</b>

Additional information and explanations to the consolidated financial statements constitute an integral part thereof.

31.12.2016	Loans and receivables					Liabilities carried at amortised cost				
	Loans	Receivables	Deposits	Cash	Credits and loans	Trade payables	Bonds	Deposits	Leasing	Total
<i>in PLN 000s</i>										
<b>Interest income/costs recognised in:</b>	<b>10</b>	<b>9</b>	<b>-</b>	<b>14</b>	<b>(3 338)</b>	<b>(77)</b>	<b>(4 366)</b>	<b>-</b>	<b>(916)</b>	<b>(8 664)</b>
<i>Other operating revenue</i>	-	-	-	-	-	-	-	-	-	-
<i>Other operating expenses</i>	-	-	-	-	-	-	-	-	-	-
<i>Finance income</i>	10	9	-	14	-	-	-	-	-	33
<i>Finance costs</i>					(3 338)	(77)	(4 366)	-	(916)	(8 697)
<b>Gain (loss) on exchange differences, recognised in:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(188)</b>	<b>(5)</b>	<b>-</b>	<b>-</b>	<b>(611)</b>	<b>(804)</b>
<i>Other operating revenue</i>	-	-	-	-	-	-	-	-	-	-
<i>Finance income</i>	-	-	-	-	-	-	-	-	-	-
<i>Finance costs</i>	-	-	-	-	(188)	(5)	-	-	(611)	(804)
<b>Recognition of impairment recognised in:</b>		<b>(31)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(31)</b>
<i>Expenses by nature</i>	-	-	-	-	-	-	-	-	-	-
<i>Other operating expenses</i>	-	(31)	-	-	-	-	-	-	-	(31)
<b>Reversal of impairment recognised in:</b>	<b>115</b>	<b>126</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>241</b>
<i>Expenses by nature</i>	-	-	-	-	-	-	-	-	-	-
<i>Other operating revenue</i>	-	126	-	-	-	-	-	-	-	126
<i>Finance income</i>	115	-	-	-	-	-	-	-	-	115
<b>Net profit / (loss) on continuing operations</b>	<b>125</b>	<b>104</b>	<b>-</b>	<b>14</b>	<b>(3 526)</b>	<b>(82)</b>	<b>(4 366)</b>	<b>-</b>	<b>(1 527)</b>	<b>(9 258)</b>

Additional information and explanations to the consolidated financial statements constitute an integral part thereof.

### Credit risk relating to trade receivables

As at the reporting date, there was no substantial concentration of credit risk.

As at 31 December 2017 and 31 December 2016, analysis of overdue trade receivables was as follows:

	31.12.2017		
<i>in PLN 000s</i>	Gross value	Impairment	Net value
Not overdue	1 324	-	1 324
Overdue by:			
0-180 days	411	-	411
180-360 days	105	-	105
over 360 days	1 608	986	622
	<b>3 448</b>	<b>986</b>	<b>2 462</b>

	31.12.2016		
<i>in PLN 000s</i>	Gross value	Impairment	Net value
Not overdue	1 898	-	1 898
Overdue by:			
0-180 days	507	-	507
180-360 days	178	-	178
over 360 days	1 919	1 125	794
	<b>4 502</b>	<b>1 125</b>	<b>3 377</b>

Presented below are changes in the impairment of trade and other receivables in 2017 and 2016:

<i>in PLN 000s</i>	31.12.2017	31.12.2016
As at the beginning of period	1 125	2 039
Change in impairment	(139)	(914)
As at the end of period	<b>986</b>	<b>1 125</b>

### Financial risk management objectives and methodology

The Group manages all of the elements of financial risk described below, which could have a significant impact on future operations, paying particular attention to managing market risk, including interest rate risk, credit risk and liquidity risk. The objective of managing credit risk is limiting the Group's losses that could arise due to its customers' default. This objective is achieved by the on-going monitoring of creditworthiness of the clients that require lending over a certain amount. The objective of financial liquidity management is protecting the Group from default. This is being achieved through systematic projections of debt over a 3-year horizon, and subsequently through arranging appropriate sources of finance. Exposure to credit risk and interest rate risk arises in the ordinary course of the Group's business.

### Credit risk related to cash and bank deposits

The Group allocates free cash in accordance with financial liquidity and limited risk requirements and in order to protection capital.

All entities that the Group allocates funds with operate in the financial sector. This means exclusively banks with appropriate equity and a strong and stable market position. The Group monitors credit risk on an on-going basis by verifying financial condition and maintaining an appropriately low level of concentration in financial institutions.

### Interest rate risk

The Group has credit, loan and bond liabilities for which interest is calculated based on variable interest rates, therefore it is exposed to interest rate risk from the moment the contract is signed. Given negligible changes in interest rates in the previous periods and no expectations as to sudden changes in the coming periods, the Group did not use interest rate hedging as at 31 December 2017, considering interest rate risk to be immaterial.

The following table presents credit, loan and bond liabilities at the end of the reporting periods analysed, broken down into instruments with fixed and variable interest.

*Additional information and explanations to the consolidated financial statements constitute an integral part thereof.*

<i>in PLN 000s</i>	<b>31.12.2017</b>	<b>31.12.2016</b>
Fixed-rate credit	-	-
Floating-rate credit	28 466	27 570
Fixed-rate loans	4 519	103
Floating-rate loans	12 801	13 086
Fixed-rate bonds	33 739	27 255
Floating-rate bonds	-	12 001
<b>Fixed-rate total</b>	<b>38 258</b>	<b>27 358</b>
<b>Floating-rate total</b>	<b>41 267</b>	<b>52 657</b>

#### Analysis of the Group's sensitivity to interest rate changes

A 1pp change in interest rates would result in a change of financial result as presented below. The analysis is based on the assumption that other variables, especially exchange rates, remain intact.

<i>in PLN 000s</i>	<b>31.12.2017</b>		<b>31.12.2016</b>	
	up 1%	down 1%	up 1%	down 1%
Floating-rate instruments	<b>(405)</b>	<b>405</b>	<b>(516)</b>	<b>516</b>

The above table presents the impact on the finance costs recognised in the consolidated statement of comprehensive income. Given the fact that a majority of interest costs is capitalised on inventory, a change in interest rates would cause a change in the value of inventory on the balance sheet date and a change in the cost of products sold in the future.

#### Foreign exchange risk

Foreign exchange risk is discussed in note 6.26.

#### Liquidity risk

The Parent's Management Board assessed the Group's expected liquidity situation for the 12 months from the date of the consolidated financial statements.

The main objective of this analysis was specifying the sources for repayment of the Group's current liabilities, resulting from, among others, credit facilities and trade payables (including overdue liabilities).

As at 31 December 2017, the total amount of the Group's liabilities due for repayment in 2018 (i.e. current liabilities), excluding provisions, was PLN 87 021 000. This item mainly consists of credit facilities, bonds and trade payables, as well as deferred revenue (the PLN 16 301 000 in deferred revenue roughly corresponds to the amounts paid by clients based on apartment purchase agreements in completed and on-going development projects and a grant to be settled). Within the total of PLN 92 126 000 in current liabilities, the Group will actually have to repay up to PLN 70 720 000, i.e. after subtracting the amount of provisions and deferred revenue, which according to the accounting methodology for development projects (as specified in IAS 18), will be recognised in revenue from the sale of apartments after delivery to clients. The repayment of these liabilities (deferred revenue) towards apartment buyers would be necessary in the event of non-performance of the executed apartment sales agreements, e.g. as a result of discontinuing or major delays in construction, which according to the management board will not occur.

In addition, the Group's management is analysing a number of solutions aimed at raising additional capital to ensure the Company's liquidity, to be used to repay financial and trade payables.

The Group sells premises in its investment at a scale that enables the uninterrupted continuing of operations, including repayment of financial liabilities.

According to the Parent's Management Board, thanks in part to the activities carried out in 2017 intended to reduce the Group's costs and improve sales margins as well as the intensification of apartment sales in 2018, there is no threat to the Group's continuing operations over a period of 12 months from the date on which these financial statements were prepared. The Management Board believes that it will be able to provide the Group with sufficient capital to service its financial and trade payables and to continue operations uninterrupted, including property development projects.

#### Description of the methods and significant assumptions used in measuring the fair value of financial assets and liabilities

The fair value of financial assets and liabilities is close to the balance sheet value as at 31 December 2017 and 31 December 2016.

*Additional information and explanations to the consolidated financial statements constitute an integral part thereof.*

Fair value is understood to be an amount for which a given asset could be exchanged and a liability settled on market conditions between interested and well-informed parties.

### Capital management

The Group defines capital as the balance sheet value of equity. The key ratio used by the Group to monitor equity is equity-to-assets. As at 31 December 2017, this ratio was 23.4% (31 December 2016: 22%). The Group manages capital in order to guarantee that its entities will be able to continue as a going concern, while simultaneously maximising shareholder returns through optimisation of the debt to equity profile.

The Group's equity structure includes debt, which comprises the credit facilities disclosed in note 6.20, cash and cash equivalents, and equity attributable to owners of the Parent, including issued shares, reserve capital and retained earnings.

In addition, the Group manages equity in a manner enabling it to maintain a safe equity to debt profile. During the last several years, the Group did not pay a dividend.

### 6.29. Operating leases

Payments under irrevocable operating lease contracts are as follows:

<i>in PLN 000s</i>	<b>31.12.2017</b>	<b>31.12.2016</b>
up to 1 year	891	862
1 to 5 years	2 502	2 744
over 5 years	1 308	2 323
	<b>4 701</b>	<b>5 929</b>

The Group is a party to lease and rent contracts and pays fees on perpetual usufruct of land, which are qualified as operating leasing. Lease contracts have different validity periods, usually with an option to extend. Lease payments are annually increased by the CPI indicator, published in the official gazette Monitor Polski by the President of the Central Statistical Office (GUS).

The total amount of future payments under operating lease contracts as at 31 December 2017 included fees for perpetual usufruct of land of PLN 14 000 (31 December 2016: PLN 19 000).

During the period ended 31 December 2017, rent payments of PLN 732 000 were recognised as operating lease costs (31 December 2016: PLN 625 000).

### Operating lease agreements, where the Group is the lessor

The Group leases out investment properties through operating leasing (see note 6.11). Payments under irrevocable lease contracts are as follows:

<i>in PLN 000s</i>	<b>31.12.2017</b>	<b>31.12.2016</b>
up to 1 year	4 643	7 878
1 to 5 years	14 189	13 627
over 5 years	95 103	124 953
	<b>113 935</b>	<b>146 458</b>

As at 31 December 2017, PLN 7 282 000 in lease income on investment properties (operating leasing) was generated (31 December 2016: PLN 4 340 000). Other lease income concerns properties classified in the balance sheet as property, plant and equipment and inventory.

The Group is a party to agreements on lease of investment properties (note 6.11) that generate income on lease of commercial space in Kalisz, Łódź, Gorzów Wielkopolski, Inowrocław, Kraków and Milejów.

### 6.30. Investment and contractual obligations

These liabilities mainly concern liabilities towards general contractors due to executed agreements. As at 31 December 2017, the total value of future liabilities on general contractor agreements, which have not yet been invoiced, was PLN 41 551 000 (as at 31 December 2016: PLN 22 301 000).

### 6.31. Contingent liabilities

Regulations concerning tax on goods and services, corporate income tax and social security contributions are subject to frequent changes, resulting often in a lack of reference to consistent regulations or legal precedence. The binding regulations also contain inconsistencies that are caused by differences of opinion as regards legal interpretation of tax laws both between the various government authorities and between government authorities and companies. Tax and other settlements (for example, customs or cross-border) may be the subject of audits by tax authorities, which are authorised to impose substantial penalties, and the amounts of additional liabilities imposed as a result of such audits

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must be paid with interest. These circumstances cause tax risk in Poland to be higher than in countries with more developed tax systems. Tax settlements may be the subject of an audit for a period of five years. In effect, the amounts recognised in the financial statements may be subject to change at a later time, after establishing the final amounts by tax authorities. The Group's opinion is that there is no need for recognising provisions in this area.

#### **Legal disputes**

According to the Issuer's best knowledge, on the date on which these financial statements were prepared, the Issuer and its subsidiaries were parties to on-going proceedings in court, arbitration body or public administration authority in aggregate worth PLN 9 189 000, of which:

- PLN 5 410 000 constituted the total value of proceedings concerning receivables due to the Company and its subsidiaries. The highest-value proceeding was instigated by the Company on 17 March 2014 against ABM Greiffenberger Polska Sp. z o.o., based in Lublin. On 23 December 2014, the Company modified the suit's legal basis, demanding a refund from the sued company of PLN 4 189 000. The claim is viewed as justified.
- PLN 3 779 000 constituted the total value of proceedings concerning the Company's and its subsidiaries' liabilities. The highest-value item in this group is a lawsuit received on 6 March 2014 by the Company for the payment of PLN 455 000 towards a commercial company which the Company is not disclosing in order not to deteriorate the Company's lawsuit situation. The claim is viewed as unjustified.

According to the Management Board, the risk of obtaining an unfavourable ruling in the above lawsuits is below 50% and therefore no provisions have been recognised for these risks, not including the ruling of 6 March 2018, as a result of which a provision in full amount was recognised, including interest and legal costs.

Information on contingent liabilities for which provisions are recognised is presented in note 6.24.

### **6.32. Remuneration for Management Board and Supervisory Board members**

Aside from base salaries and social security contributions to ZUS (pension benefit contributions), the Group pays out remuneration to the management pursuant to agreements for provision of services and remuneration for serving on the Management Board.

#### **Management Board remuneration**

<i>in PLN 000s</i>	<b>01.01.2017 31.12.2017</b>	<b>01.01.2016 31.12.2016</b>
<i>Robert Pydzik (until 30.04.2017)</i>	8	24
<i>Agnieszka Maliszewska</i>	24	24
<i>Marta Kruk (from 01.05.2017 to 30.06.2017)</i>	41	-
<i>Paweł Cholota (from 01.05.2017)</i>	81	-
<b>Management Board remuneration</b>	<b>154</b>	<b>48</b>

Aside from the remuneration mentioned above, the Group paid out fees to the management for performance of services.

#### **Management remuneration for services provided to subsidiaries**

<i>in PLN 000s</i>	<b>01.01.2017 31.12.2017</b>	<b>01.01.2016 31.12.2016</b>
<i>Agnieszka Maliszewska</i>	134	116
<b>Management Board remuneration</b>	<b>134</b>	<b>116</b>

#### **Management Board remuneration for serving on the management board or supervisory board of subsidiaries**

<i>in PLN 000s</i>	<b>01.01.2017 31.12.2017</b>	<b>01.01.2016 31.12.2016</b>
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Additional information and explanations to the consolidated financial statements constitute an integral part thereof.

<i>Robert Pydzik (until 30.04.2017)</i>	32	88
<i>Agnieszka Maliszewska</i>	79	72
<i>Marta Kruk (from 01.05.2017 to 30.06.2017)</i>	35	-
<i>Paweł Chołota (from 01.05.2017)</i>	116	-

<b>Management Board remuneration</b>	<b>262</b>	<b>160</b>
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#### Supervisory Board remuneration

<i>in PLN 000s</i>	<b>01.01.2017 31.12.2017</b>	<b>01.01.2016 31.12.2016</b>
<i>Agnieszka Buchajska (until 30.06.2016)</i>	-	37
<i>Adam Buchajski</i>	30	30
<i>Tomasz Dukala (until 30.06.2016)</i>	-	15
<i>Krzysztof Misiak</i>	30	30
<i>Patrycja Wojtczyk (from 19.10.2017)</i>	6	-
<i>Jakub Leonkiewicz (until 27.09.2016)</i>	-	22
<i>Maciej Węgorkiewicz (from 01.07.2016)</i>	24	15
<i>Joanna Grzelczak (from 28.09.2016)</i>	30	8
<i>Marcin Marczuk (from 28.09.2016)</i>	30	8
<b>Supervisory Board remuneration</b>	<b>150</b>	<b>165</b>

### 6.33. Related-party transactions

#### Other related-party transactions

Other related-party transactions as defined in IAS 24

<i>in PLN 000s</i>	<b>Transaction value during the period:</b>		<b>Outstanding balance as at</b>	
	<b>01.01.2017 31.12.2017</b>	<b>01.01.2016 31.12.2016</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<i>Agnieszka Buchajska</i>	12	9	1	3
<i>Robert Pydzik's related party</i>	25	55	-	50
<i>Paweł Chołota's related party</i>	59	-	-	-

<b>Sale of products and services</b>	<b>96</b>	<b>64</b>	<b>1</b>	<b>53</b>
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<i>in PLN 000s</i>	<b>Transaction value during the period:</b>		<b>Outstanding balance as at</b>	
	<b>01.01.2017 31.12.2017</b>	<b>01.01.2016 31.12.2016</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<i>Agnieszka Buchajska</i>	358	401	49	72
<i>Adam Buchajski</i>	1 200	-	-	-
<i>Agnieszka Maliszewska</i>	134	115	-	12
<i>Robert Pydzik's related party</i>	288	421	-	-
<b>Purchase of products and services</b>	<b>1 980</b>	<b>937</b>	<b>49</b>	<b>84</b>

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<i>in PLN 000s</i>	Outstanding balance as at	Transaction value during the period				Outstanding balance as at
	31.12.2016	Issue	Repayment of principal	Accrual of interest	Repayment of interest	31.12.2017
<i>Agnieszka Buchajska</i>	628	9	-	38	(9)	666
<i>Adam Buchajski</i>	43	-	-	-	-	43
<i>Sanwil Holding S.A.</i>	5 187	-	-	308	(605)	4 890
<i>Palametra Holdings Limited</i>	4 894	277	-	39	-	5 210
<i>Ipnihome Limited</i>	117	-	-	8	-	125
<i>VALUE FIZ</i>	-	4 300	-	116	-	4 416
<b>Loans received (principal and interest)</b>	<b>10 869</b>	<b>4 586</b>	<b>-</b>	<b>509</b>	<b>(614)</b>	<b>15 350</b>

<i>in PLN 000s</i>	Transaction value during the period:		Outstanding balance as at	
	01.01.2017 31.12.2017	01.01.2016 31.12.2016	31.12.2017	31.12.2016
<i>Ipnihome Limited</i>	-	-	270	270
<i>Adam Buchajski</i>	-	(179)	1 770	-
<i>Krzysztof Misiak</i>	-	(210)	-	-
<i>Agnieszka Buchajska</i>	-	(50)	-	-
<i>FIZ WIKANA</i>	-	(7)	-	-
<i>Zambud</i>	-	(55)	-	1 770
<i>VALUE FIZ*</i>	(7 134)	5 985	2 679	10 271
<b>Other liabilities</b>	<b>(7 134)</b>	<b>5 484</b>	<b>4 719</b>	<b>12 311</b>

\* From 22 April 2016 VALUE FIZ purchased a receivable from RDI LLC, which purchased the receivable from AGIO RB FIZ on 20 April 2016.

### 6.34. Group entities (entities included in the condensed consolidated financial statements)

#### Parent

WIKANA S.A.

#### Subsidiaries

	% share	
	31.12.2017	31.12.2016
WIKANA FORTEM Sp. z o.o.	100%	100%
WIKANA FORTEM Sp. z o.o. ACER Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. ACER Sp.k., prior to that: WIKANA PROPERTY Sp. z o.o. ACER S.K.A.) <sup>(1)</sup>	100%	100%
WIKANA MERITUM Sp. z o.o.	100%	100%
WIKANA MERITUM Sp. z o.o. ALFA Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. ALFA S.K.A., formerly: WIKANA PROPERTY Sp. z o.o. ALFA S.K.A.) <sup>(1)</sup>	100%	100%
WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. CORYLUS S.K.A.) <sup>(3)</sup>	100%	100%
WIKANA MERITUM Sp. z o.o. LAMDA S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. LAMDA S.K.A.) <sup>(3)</sup>	100%	100%

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WIKANA MERITUM Sp. z o.o. LARIX S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. LARIX S.K.A.) <sup>(3)</sup>	100%	100%
WIKANA MERITUM Sp. z o.o. MAGNOLIA Sp.k. (formerly: WIKANA MERITUM Sp. z o.o. MAGNOLIA S.K.A., previously: WIKANA PROPERTY Sp. z o.o. MAGNOLIA S.K.A.) <sup>(2)</sup>	100%	100%
WIKANA MERITUM Sp. z o.o. PANORAMA Sp.k. (formerly: WIKANA MERITUM Sp. z o.o. PANORAMA S.K.A., previously: WIKANA PROPERTY Sp. z o.o. PANORAMA S.K.A.) <sup>(2)</sup>	100%	100%
WIKANA PROPERTY Sp. z o.o. <sup>(4)</sup>	100%	100%
WIKANA PROPERTY Sp. z o.o. 03 MIASTECZKO S.K.A. (formerly: Wikana Nieruchomości Sp. z o.o. 03 MIASTECZKO S.K.A.) <sup>(5)</sup>	100%	100%
WIKANA PROPERTY Sp. z o.o. 04 OSIEDLE S.K.A. (formerly: Wikana Nieruchomości Sp. z o.o. 04 OSIEDLE S.K.A.) <sup>(6)</sup>	100%	100%
WIKANA PROPERTY Sp. z o.o. ALBA S.K.A. (formerly: Wikana Nieruchomości Sp. z o.o. ALFA S.K.A.) <sup>(6)</sup>	100%	100%
WIKANA PROPERTY Sp. z o.o. DELTA S.K.A. <sup>(5)</sup>	100%	100%
WIKANA PROPERTY Sp. z o.o. BETULA Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. BETULA S.K.A.) <sup>(6)</sup>	100%	100%
WIKANA PROPERTY Sp. z o.o. JOTA Sp.k., formerly: WIKANA PROPERTY Sp. z o.o. JOTA S.K.A.) <sup>(6)</sup>	100%	100%
WIKANA PROPERTY Sp. z o.o. KAPPA S.K.A. <sup>(6)</sup>	100%	100%
WIKANA PROPERTY Sp. z o.o. KOMERC Sp.k. <sup>(6)</sup> (previously: WIKANA PROPERTY Sp. z o.o. KOMERC S.K.A.; formerly: Wikana Nieruchomości Sp. z o.o. KOMERC S.K.A.)	100%	100%
WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A. <sup>(6)</sup> (formerly: Wikana Nieruchomości Sp. z o.o. KROSNO S.K.A.)	100%	100%
WIKANA PROPERTY Sp. z o.o. LEGNICA S.K.A. (formerly: Wikana Nieruchomości Sp. z o.o. LEGNICA S.K.A.) <sup>(5)</sup>	100%	100%
WIKANA PROPERTY Sp. z o.o. OMEGA S.K.A. <sup>(6)</sup>	100%	100%
WIKANA PROPERTY Sp. z o.o. OMIKRON S.K.A. <sup>(6)</sup>	100%	100%
WIKANA PROPERTY Sp. z o.o. PODPROMIE Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. S.K.A.) <sup>(6)</sup>	100%	100%
WIKANA PROPERTY Sp. z o.o. ROSA Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. ROSA S.K.A.) <sup>(6)</sup>	100%	100%
WIKANA PROPERTY Sp. z o.o. SALIX Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. SALIX S.K.A., previously: WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A.) <sup>(6)</sup>	100%	100%
WIKANA PRIM Sp. z o.o. (formerly: PRIM Sp. z o.o.)	100%	100%
WIKANA PRIM Sp. z o.o. BETA Sp.k. (formerly: WIKANA PRIM Sp. z o.o. BETA S.K.A., previously: WIKANA PROPERTY Sp. z o.o. BETA S.K.A.) <sup>(7)</sup>	100%	100%
WIKANA PRIM Sp. z o.o. GAMMA Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. GAMMA Sp.k., prior to that: WIKANA PROPERTY Sp. z o.o. GAMMA S.K.A.) <sup>(7)</sup>	100%	100%
WIKANA PRIM Sp. z o.o. SIGMA Sp.k. (formerly: WIKANA MERITUM Sp. z o.o. SIGMA Sp.k., previously: WIKANA MERITUM Sp. z o.o. SIGMA S.K.A., previously: WIKANA PROPERTY Sp. z o.o. SIGMA S.K.A.) (7)	100%	100%

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WIKANA PRIM Sp. z o.o. ZIELONE TARASY Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. ZIELONE TARASY Sp.k., prior to that: WIKANA PROPERTY Sp. z o.o. ZIELONE TARASY S.K.A.)(7)	100%	100%
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji	100%	100%
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 02 S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. 02 S.K.A., prior to that: Wikana Nieruchomości Sp. z o.o. 02 S.K.A.)(5)	100%	100%
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 05 MARINA S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. 05 MARINA S.K.A., prior to that: Wikana Nieruchomości Sp. z o.o. 05 MARINA S.K.A.)(5)	100%	100%
WIKANA PROJECT Sp. z o.o.(8)	100%	100%
WIKANA MANAGEMENT Sp. z o.o.(9)	100%	100%
WIKANA SOBA Sp. z o.o. (formerly: SOBA Sp. z o.o.)	100%	0%
Towarzystwo Budownictwa Społecznego „Nasz Dom” Sp. z o.o. (formerly: Towarzystwo Budownictwa Społecznego „Wikana” Sp. z o.o.)	100%	100%
BIOENERGIA PLUS Sp. z o.o. (formerly: WIKANA BIOENERGIA Sp. z o.o.)	100%	100%
BIOENERGIA PLUS Sp. z o.o. 01 S.K.A. (formerly: WIKANA BIOENERGIA Sp. z o.o. 01 S.K.A.)(10)	100%	100%
ZIELONE TARASY S.A.	100%	100%
Multiserwis S.A. w likwidacji(11)	0%	94%

(1) The company's general partner is WIKANA FORTEM Sp. z o.o., a wholly owned subsidiary of the Company.

(2) The company's general partner is WIKANA MERITUM Sp. z o.o., a wholly owned subsidiary of the Company.

(3) 50% of shares was provided as security for bondholder claims in connection with the issue of series B bonds by WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A. The general partner is WIKANA MERITUM Sp. z o.o., a wholly owned subsidiary of the Company.

(4) Entity wholly owned by the Company, of which 24.94% is held directly by the Company, while 75.06% through subsidiary WIKANA PROJECT Sp. z o.o.

(5) The entity was merged on 21 November 2017 through its acquisition by WIKANA PROJECT Sp. z o.o. - a wholly owned subsidiary of the Company. Given the above, on 14 February 2018, the entity was removed from the Register of Companies at the National Court Register.

(6) The company's general partner is WIKANA PROPERTY Sp. z o.o., a wholly owned subsidiary of the Company, including directly and indirectly.

(7) The company's general partner is WIKANA PRIM Sp. z o.o., (formerly PRIM Sp. z o.o.) - a wholly owned subsidiary of the Company.

(8) Entity wholly owned by the Company, of which 95.24% is held directly by the Company, while 4.76% through subsidiary WIKANA PROPERTY Sp. z o.o.

(9) Entity in which 100% of shares, held by the Company, were assigned as collateral for a subsidiary - WIKANA PROPERTY Sp. z o.o. 04 OSIEDLE S.K.A.

(10) The company's general partner is BIOENERGIA PLUS Sp. z o.o. (formerly WIKANA BIOENERGIA Sp. z o.o.) - a wholly owned subsidiary of the Company.

(11) The entity was removed from the Register of Companies at the National Court Register on 5 October 2017.

#### Parent:

- **WIKANA S.A.** ("Company") - its core business is property development, consisting of preparing property development projects using its own land bank, to be developed by special purpose vehicles, and management of the Group as well as provision of services to Group companies.

#### Subsidiaries, as at the date on which these financial statements were prepared

- **BIOENERGIA PLUS Sp. z o.o.** (formerly: WIKANA BIOENERGIA Sp. z o.o.) - operates in the Lublin Province in the renewable energy sector; is general partner in BIOENERGIA PLUS Sp. z o.o. 01 S.K.A. (formerly: WIKANA BIOENERGIA Sp. z o.o. 01 S.K.A.), involved in renewable energy generation and trade, with the Company being its sole shareholder.
- **Multiserwis S.A. w likwidacji** - the Group's only entity that carried on retail distribution of footwear; this entity was removed from the Register of Companies at the National Court Register on 5 October 2017.
- **WIKANA AGO Sp. z o.o.** - company formed on 8 May 2017; 100% of shares, with a total value of PLN 5 000.00, were acquired by the Company.

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- **WIKANA ERGO Sp. z o.o.** - company formed on 10 May 2017; 100% of shares, with a total value of PLN 5 000.00, were acquired by the Company.
- **WIKANA FORTEM Sp. z o.o.** - a company that is the general partner in WIKANA FORTEM Sp. z o.o. ACER Sp.k. (formerly WIKANA PROPERTY Sp. z o.o. ACER Sp.k., which was formed as a result of transformation of the following partnership limited by shares: WIKANA PROPERTY Sp. z o.o. ACER S.K.A.)
- **WIKANA MANAGEMENT Sp. z o.o.** - a company that focuses on providing Group companies with the following services: advisory, investment preparation and investment supervision.
- **WIKANA MERITUM Sp. z o.o.** - a company that was, at the date on which these financial statements were prepared, the general partner in the following Group companies:
  - WIKANA MERITUM Sp. z o.o. ALFA Sp.k. (company formed as a result of transformation of the following partnership limited by shares: WIKANA MERITUM Sp. z o.o. ALFA S.K.A., formerly WIKANA PROPERTY Sp. z o.o. ALFA S.K.A.),
  - WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. CORYLUS S.K.A.),
  - WIKANA MERITUM Sp. z o.o. LAMDA S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. LAMDA S.K.A.),
  - WIKANA MERITUM Sp. z o.o. LARIX S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. LARIX S.K.A.),
  - WIKANA MERITUM Sp. z o.o. MAGNOLIA Sp.k. (company formed as a result of transformation of the following partnership limited by shares: WIKANA MERITUM Sp. z o.o. MAGNOLIA S.K.A., formerly WIKANA PROPERTY Sp. z o.o. MAGNOLIA S.K.A.),
  - WIKANA MERITUM Sp. z o.o. PANORAMA Sp.k. (company formed as a result of transformation of the following partnership limited by shares: WIKANA MERITUM Sp. z o.o. PANORAMA S.K.A., formerly WIKANA PROPERTY Sp. z o.o. PANORAMA S.K.A.).

The Company holds a 100% stake in the above companies, with the following exceptions: WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A., WIKANA MERITUM Sp. z o.o. LAMDA S.K.A., WIKANA MERITUM Sp. z o.o. LARIX S.K.A., in which 50% of shares were provided as collateral for bondholder obligations in connection with the series B bond issue by WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A.

- **WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji** - provides design and investment preparation services.
- **WIKANA PRIM Sp. z o.o.** (formerly: PRIM Sp. z o.o.) - a company that had been fully owned by Multiserwis S.A.; on 6 November 2015 100% of shares in this company were sold to the Parent; as at the date on which this report was prepared, the company was the general partner in the following Group companies:
  - WIKANA PRIM Sp. z o.o. BETA Sp.k. (company formed as a result of transformation of the following partnership limited by shares: WIKANA PRIM Sp. z o.o. BETA S.K.A., formerly WIKANA PROPERTY Sp. z o.o. BETA S.K.A.);
  - WIKANA PRIM Sp. z o.o. GAMMA Sp.k. (formerly WIKANA PROPERTY Sp. z o.o. GAMMA Sp.k., which was formed as a result of transformation of the following partnership limited by shares: WIKANA PROPERTY Sp. z o.o. GAMMA S.K.A.);
  - WIKANA PRIM Sp. z o.o. SIGMA Sp.k. (formerly: WIKANA MERITUM Sp. z o.o. SIGMA Sp.k., which was formed as a result of transformation of the following partnership limited by shares: WIKANA MERITUM Sp. z o.o. SIGMA S.K.A., formerly WIKANA PROPERTY Sp. z o.o. SIGMA S.K.A.);
  - WIKANA PRIM Sp. z o.o. ZIELONE TARASY S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. ZIELONE TARASY Sp.k., which was formed as a result of transformation of the following partnership limited by shares: WIKANA MERITUM Sp. z o.o. ZIELONE TARASY S.K.A.).
- **WIKANA PROJECT Sp. z o.o.** - a company whose shareholders, aside from the Company, include WIKANA PROPERTY Sp. z o.o., based in Lublin, which holds a 4.76% stake; as of 21 November 2017, this company was merged with:
  - WIKANA PROPERTY Sp. z o.o. 03 MIASTECZKO S.K.A.
  - WIKANA PROPERTY Sp. z o.o. DELTA S.K.A.
  - WIKANA PROPERTY Sp. z o.o. LEGNICA S.K.A.
  - WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 02 S.K.A.
  - WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 05 MARINA S.K.A.

The merger was carried out pursuant to art. 492 § 1 point 1) of the Polish Commercial Companies Code, i.e. through the transfer of the assets of all of the above companies, i.e. the acquired companies, to the acquiring company, i.e. WIKANA PROJECT Sp. z o.o.

- **WIKANA PROPERTY Sp. z o.o.** - provides sales intermediary services to Group companies; its shareholders aside from the Company include WIKANA PROJECT Sp. z o.o., based in Lublin, which holds 75.06% of shares in this company; at the date on which this report was prepared, the company was general partner in the following companies, formed to carry out property development projects:
  - WIKANA PROPERTY Sp. z o.o. 04 OSIEDLE S.K.A. (formerly: Wikana Nieruchomości Sp. z o.o. 04 OSIEDLE S.K.A.);
  - WIKANA PROPERTY Sp. z o.o. ALBA S.K.A. (formerly: Wikana Nieruchomości Sp. z o.o. ALBA S.K.A.);
  - WIKANA PROPERTY Sp. z o.o. BETULA Sp.k. (company formed as a result of transformation of the following partnership limited by shares: WIKANA PROPERTY Sp. z o.o. BETULA S.K.A.),
  - WIKANA PROPERTY Sp. z o.o. JOTA Sp.k. (company formed as a result of transformation of the following partnership limited by shares: WIKANA PROPERTY Sp. z o.o. JOTA S.K.A.),

*Additional information and explanations to the consolidated financial statements constitute an integral part thereof.*

- WIKANA PROPERTY Sp. z o.o. KAPPA S.K.A.
  - WIKANA PROPERTY Sp. z o.o. KOMERC Sp.k. (company formed as a result of transformation of the following partnership limited by shares: WIKANA PROPERTY Sp. z o.o. KOMERC S.K.A.),
  - WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A. (formerly: Wikana Nieruchomości Sp. z o.o. KROSNO S.K.A.),
  - WIKANA PROPERTY Sp. z o.o. OMEGA S.K.A.
  - WIKANA PROPERTY Sp. z o.o. OMIKRON S.K.A.
  - WIKANA PROPERTY Sp. z o.o. PODPROMIE Sp.k. (company formed as a result of transformation of the following partnership limited by shares: WIKANA PROPERTY Sp. z o.o. PODPROMIE S.K.A.),
  - WIKANA PROPERTY Sp. z o.o. ROSA Sp.k. (company formed as a result of transformation of the following partnership limited by shares: WIKANA PROPERTY Sp. z o.o. ROSA S.K.A.);
  - WIKANA PROPERTY Sp. z o.o. SALIX Sp.k. (company formed as a result of transformation of the following partnership limited by shares: WIKANA PROPERTY Sp. z o.o. SALIX S.K.A., formerly: WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A.).
- **WIKANA SOBA Sp. z o.o.** (formerly: SOBA Sp. z o.o.) - an entity in which the Company purchased a 100% stake with a total value of PLN 5 000.00 on 10 March 2017; on 17 May 2017, the company's general meeting adopted a resolution on a change of the company's name to: WIKANA SOBA Sp. o.o.
  - **Towarzystwo Budownictwa Społecznego „Nasz Dom” Sp. z o.o.** (formerly: Towarzystwo Budownictwa Społecznego Wikana Sp. z o.o.) - provides property management services to both own properties and on commission from residential cooperatives.
  - **ZIELONE TARASY S.A.** - company operating in the renewables segment.

### 6.35. Selected financial data from the financial statements

Selected financial data is translated into EUR in accordance with the following principles:

Selected asset and equity and liability items - using the average exchange rate on 31 December 2017: EURPLN 4.1709 (31 December 2016: EURPLN 4.4240)

Items in the statement of comprehensive income - using the arithmetic mean of average exchange rates established by the National Bank of Poland as at the last day of each month in 2017: EURPLN 4.2447 (2016: EURPLN 4.3757).

#### Selected items from the consolidated balance sheet

Balance sheet item	31.12.2017		31.12.2016	
	PLN	EUR	PLN	EUR
<i>in 000s</i>				
<b>Total assets</b>	<b>198 666</b>	<b>47 631</b>	<b>203 731</b>	<b>46 051</b>
Non-current assets	87 940	21 084	98 088	22 171
Current assets	103 132	24 726	105 643	23 880
Non-current assets held for sale	7 594	1 821	-	-
<b>Total equity and liabilities</b>	<b>198 666</b>	<b>47 631</b>	<b>203 731</b>	<b>46 051</b>
Equity	46 456	11 138	45 336	10 248
Non-current liabilities	60 084	14 406	62 089	14 034
Current liabilities	92 126	22 088	96 306	21 769

#### Selected items from the consolidated statement of comprehensive income

Item in the Group's condensed consolidated statement of comprehensive income	01.01.2017 31.12.2017		01.01.2016 31.12.2016	
	PLN	EUR	PLN	EUR
<i>in 000s</i>				
Revenue from sales	68 930	16 239	73 256	16 742
Gross profit (loss) on sales	16 153	3 805	17 943	4 101
Operating profit (loss)	7 807	1 839	12 066	2 758
Profit (loss) before tax	1 139	268	3 603	823
Net profit / (loss) on continuing operations	1 197	282	2 725	623
Net profit (loss) on discontinued operations	(73)	(17)	125	29
<b>Total comprehensive income</b>	<b>1 124</b>	<b>265</b>	<b>3 031</b>	<b>693</b>
Profit (loss) per share				
Basic profit (loss) per share	0.06	0.01	0.14	0.03
Diluted profit (loss) (PLN)	0.06	0.01	0.14	0.03

#### Selected items from the consolidated statement of cash flows

Item in the condensed consolidated interim statement of cash flows	01.01.2017 31.12.2017		01.01.2016 31.12.2016	
	PLN	EUR	PLN	EUR
<i>in 000s</i>				
Net cash from operating activities	12 873	3 033	9 473	2 165
Net cash from investing activities	1 201	283	(1 191)	(272)
Net cash from financing activities	(15 245)	(3 592)	(9 541)	(2 180)
<b>Total cash flows</b>	<b>(1 171)</b>	<b>(276)</b>	<b>(1 259)</b>	<b>(287)</b>

Additional information and explanations to the consolidated financial statements constitute an integral part thereof.

### **6.36. Factors that might have an effect on results over at least the next 12 months**

The Parent's Management Board assessed the Group's expected liquidity situation for the 12 months from the date of the consolidated financial statements. The main objective of this analysis was specifying the sources for repayment of the Group's current liabilities, resulting mainly from issued bonds, credit facilities and trade payables (including liabilities resulting from property projects).

As a result of the analysis, the Company's Management Board outlined the main repayment sources for current liabilities:

- Proceeds from new sale agreements concerning apartments, parking spaces, storage spaces and service facilities, which either are or will be introduced to the Group's portfolio in 2018,
- Proceeds from payments under sales agreements concerning apartments, parking spaces, storage spaces and service facilities in on-going development projects, which were executed prior to 31 December 2017 - and which will be made by clients in accordance with the timetables specified in such contracts,
- Proceeds from lease of space in the Group's commercial properties,
- Divestment process, which covers sale of selected assets under a plan adopted by the Company's Management Board for optimisation of the asset structure by sale of certain non-current assets of substantial market value (e.g. existing properties or certain non-residential projects).

In addition, the Company's Management Board is analysing a number of solutions aimed at raising additional capital to ensure the Group's liquidity, to be used to repay financial and trade payables. Works are also under-way to obtain bank credit to finance property developments and bond issues from which proceeds will be used to refinance existing liabilities and finance property development projects.

The above list is not comprehensive, and the results of the above activities will be dependent on financial-market conditions and the potential benefits for the Group.

According to the Company's Management Board, the present conditions on the residential property market will make it possible to fulfil apartment sales plans at a level ensuring the uninterrupted continuity of operations, including repayment liabilities.

The Group expects to continue its present activities in subsequent reporting periods. The majority of property development projects will be executed via special purpose vehicles, therefore the Group's consolidated results will play a key role.

For at least the next 12 months, the growth strategy of the Group's development companies will focus on the following directions:

- intensification of activities aimed at a substantial increase in operating scale, including commencement of new investments on the Group's land,
- reinforcement of leading position on the property development market, further operational expansion and reinforcement in markets where the Company is present,
- consistent increase in apartment sales volumes, alongside margin growth,
- adaptation of the project schedule to current and foreseeable conditions on the property market, with the assumption that optimisation will be continued as regards the Company's expenditures and inflows, as well as the current ratio levels,
- seeking to ensure an optimal financing structure for the on-going property development projects,
- acquiring land for new property projects.

As regards the renewables segment, the Company's Management Board cannot exclude divestments within an economically justified time-frame, subject to the provisions of point 6.36 of this document. Until the date on which the financial statements were published, no decision was made in this regard.

As regards commercial properties, the Company's Management Board plans divestments in an economically justified period of time. Until the date on which the financial statements were prepared, no decisions in this regard were made.

### **6.37. Significant information about the Company's and Group's activities in the period 1 January - 31 December 2017 and until the date on which these financial statements were drafted**

In 2017 and until the date on which this document was drafted, the Group achieved the following tasks related to property development projects:

- a) obtained permits for use:
  - building B3, part of the Sky House investment in Lublin (1 700 sqm of usable residential space),
  - building B, part of the Klonowy Park investment in Lublin (1 600 sqm of usable residential space),
  - buildings A4-A5, delivered as part of the Osiedle Marina investment in Lublin (5 000 sqm of usable residential space),
  - building A, part of the Nova Targowa investment in Tarnobrzeg (2 500 sqm of usable residential space).
- b) WIKANA Group launched the following development projects:
  - three buildings being developed simultaneously as a subsequent phase (B4) of the investment Sky House in Lublin;
  - buildings B1, B7, B8 and B2, B3, B6, being developed as two simultaneous phases of the investment Osiedle Marina B in Lublin;
  - buildings C, D and O, P, R, S, being developed as two simultaneous phases of the investment Zielone Tarasy in Rzeszów.
  - Phase I of a project in Przemyśl or the first of five buildings in Przemyśl.
- c) preparations for commencement of further development projects located in the Lublin and Sub-Carpathian voivodships.

As at 31 December 2017, the Group's offering included property development projects totalling 255 units, of which 170 were under construction.

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At the same time, the Company's Management Board announces that the value of preliminary and development agreements signed by 31 December 2017, for which units have not yet been delivered to clients, i.e. from which no revenue has yet been recognised, amounted to PLN 36 320 000, including in investments being carried out in: Lublin - PLN 22 363 000, Rzeszów - PLN 10 041 000, Tarnobrzeg - PLN 3 545 000, Janów Lubelski - PLN 228 000, Zamość - PLN 143 000.

2017 rent income (rent segment) was PLN 8 026 000.

In the period from 1 January to 31 December 2017, the Group's renewables segment generated PLN 5 319 000 in revenue.

Aside from the significant atypical events during the reporting period, which have impact on the financial statements, as described in note 5.8 to these financial statements, the following events that took place in financial year 2017 and until these financial statements were prepared are considered by the Company to be of significance:

- On 17 January 2017, WIKANA PROPERTY Sp. z o.o. ROSA S.K.A. passed a resolution on the issue of up to 6 515 secured dematerialised bearer bonds series A, with total par value of up to PLN 6 516 000; allocation of the bonds took place on 23 January 2017 (details: current reports 2/2017 and 4/2017);
- Robert Pydzik's resignation on 27 April 2017 as President of the Company's Management, effective from 30 April 2017; (current report 13/2017);
- adoption on 27 April 2017 by the Company's Supervisory Board of a resolution on the appointment of Agnieszka Maliszewska as Vice-President of the Company's Management Board, effective from 1 May 2017, and appointment of Marta Kruk and Paweł Chołota as Members of the Company's Management Board, effective from the same date (current report 14/2017);
- on 13 June 2017, a change of the issue terms for series B bonds of WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A. was agreed with the sole bondholder, which included especially a change in the buy-back deadline from 30 June 2017 to 31 December 2017 (details: current report 22/2017) and on 29 December 2017, covering a change of the buy-back deadline to 31 December 2018 and an update of provisions concerning collateral (current report 45/2017);
- Marta Kruk's resignation on 27 June 2017 as member of the Company's Management Board effective from the end of 30 June 2017; (current report 23/2017);
- on 22 August 2017 a change of issue terms was agreed with the sole bondholder of the series A bonds of WIKANA PROPERTY Sp. z o.o. ROSA Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. ROSA S.K.A.), in particular a change of the buy-back deadline from 24 August 2017 to 31 December 2017 (details: current report 31/2017) and on 29 December 2017, covering a change of the buy-back deadline to from 31 December 2017 to 31 March 2018 and an update of provisions concerning collateral (current report 46/2017);
- adoption on 19 October 2017 by the Company's Supervisory Board of a resolution on the appointment of Patrycja Wojtczyk as member of the Supervisory Board (current report 39/2017);
- Maciej Węgorzewicz's resignation on 19 October 2017 as a member of the Supervisory Board (current report 40/2017);
- adoption on 17 November 2017 of a decision to begin a strategic options review across all of the Company's business areas in order to select the optimal variant of further development and implementation of the Company's growth strategy for 2018-2021 (current report 44/2017).
- on 23 January 2018 WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A. agreed with bondholders a change in the terms of its series A bonds as regards: change in the buy-back deadline from 23 January 2018 to 31 December 2018, change in interest from variable to fixed and an appropriate extension of collateral for the bonds (details: current report 2/2018);
- on 23 January 2018 Joanna Grzelczak resigned as member of the Company's Supervisory Board, effective 31 January 2018; (current report 3/2018);
- adoption by the Company's Supervisory Board of a resolution on the appointment of Paweł Rybojad as member of the Supervisory Board from 1 February 2018 (current report 5/2018);
- on 23 February 2018 WIKANA PROPERTY Sp. z o.o. KOMERC Sp.k. - as entity using a developed property in Kraków, ul. Wadowicka 9 in the Podgórze district ("Property"), currently owned by PKO Leasing Spółka Akcyjna ("PKO Leasing") - executed an annex to a preliminary conditional agreement with an entity with no capital or personal ties to WIKANA Group concerning the sale of the Property, pursuant to which, in connection with the cancellation of mortgages established on the Property, the parties to the annex established a new deadline for executing the final agreement, from the initial date of 30 June 2018 to 31 August 2018, on the condition that the Property will be acquired by the Company from PKO Leasing, and the value of the Property sale agreement also slightly changed (details: current report 6/2018);
- on 5 March 2018, WIKANA PROPERTY Sp. z o.o. GAMMA Sp.k. (currently, following a change of general partner, WIKANA PRIM Sp. z o.o. GAMMA Sp.k.) and WIKANA MERITUM Sp. z o.o. MAGNOLIA Sp.k., acting as substitute investor (jointly referred to as the "Subsidiaries"), submitted a declaration to INVEST PARTNER Arkadiusz Matuła Sp.k. ("Contractor") on withdrawal from the construction services agreement concerning development (in two phases) of three residential multifamily buildings (A, B, C), together with underground parking lots, installations and land management, under the fourth stage (B4) of the "Sky House" investment in Lublin, in the incomplete part of the investment, together with a demand for the Contractor to pay a contractual penalty of approx. PLN 0.94 million in connection with delays in performance of the contract at the Contractor's fault (current report 7/2018);

- on 6 March 2018, the Appeals Court in Lublin issued a ruling on the matter brought by the Company's counterparty, ordering the Company to pay to the counterparty the amount of PLN 0.87 million plus interest (PLN 0.76 million) and reimbursement of court fees (total of PLN 0.09 million) (current report 8/2018);
- on 30 March 2018, WIKANA PROPERTY Sp. z o.o. ROSA Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. ROSA S.K.A.) agreed with its sole bondholder a change in the terms of its series A bonds as regards: change in the buy-back deadline from 31 March 2018 to 31 December 2018 and an appropriate extension of collateral for the bonds (details: current report 9/2018);
- on 13 April 2018, WIKANA PROPERTY Sp. z o.o. ZIELONE TARASY Sp.k. (in connection with a change of general partner, currently as: WIKANA PRIM Sp. z o.o. ZIELONE TARASY Sp.k.) and WIKANA MANAGEMENT Sp. z o.o., acting as substitute investor, submitted a declaration to HEN-BUD Sp. z o.o., based in Lublin, ("Contractor") concerning withdrawal from agreements related to performance of construction work consisting of the development of three residential multi-family buildings (B1, B7 and B8) with services and a multi-space underground parking lot, together with internal installations and associated infrastructure as well as three residential multi-family buildings (B2, B3 and B6) with a multi-space underground parking lot, together with internal installations and associated infrastructure, as the first and second phase of the Osiedle Marina B investment in Lublin, as regards incomplete parts of the investment, effective on the declaration's date, together with a demand for the Contractor to pay a contractual penalty of approx. PLN 1.06 million in connection with delays in performance of the above contracts at the Contractor's fault (current report 11/2018).



**6.38. Remuneration of the entity authorised to audit financial statements**

On 11 August 2017, the Company's Supervisory Board, acting pursuant to art. 388 § 3 of the Polish Commercial Companies Code and § 29 sec. 2 and § 40 sec. 3 of the Company's Articles of Association, selected an entity authorised to audit financial statements. The selected entity was BDO Sp. z o.o., entered onto the list of entities authorised to audit financial statements, no. 37633557, held by the National Chamber of Statutory Auditors.

An agreement concerning audit was executed with BDO Sp. z o.o. on 14 August 2017. Fees for the audit of the Group's consolidated financial statements and the Company's separate financial statements for 2017 amounted to a total of PLN 103 000 (2016: PLN 102 000).

*Agnieszka Maliszewska*

**/Vice-President of the Management Board/**

*Paweł Chołota*

**Member of the Management Board**

**Lublin, 20 April 2018**

*Bożena Wincentowicz*

**Person responsible for  
book-keeping/**