WIKANA S.A.

Financial statements

for the period 01.01.2016-31.12.2016

Contents:

1. Statement of comprehensive income

For the period 1 January 2016 - 31 December 2016 *in PLN 000s*	Note	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Continuing operations			
Revenue from sales	*6.2*	8 026	16 513
Cost of sales	*6.4*	(6 933)	(16 515)
Gross profit (loss) on sales		**1 093**	**(2)**
Selling costs	*6.4*	(162)	(575)
Administrative expenses	*6.4*	(1 229)	(1 979)
Other operating revenue	*6.3*	226	1 586
Other operating expenses	*6.5*	(174)	(327)
Gain (loss) on investments	*6.6*	934	1 259
Operating profit (loss)		**688**	**(38)**
Finance costs	*6.7*	(3 736)	(3 121)
Profit (loss) before tax		**(3 048)**	**(3 159)**
Income tax	*6.8*		-
Net profit (loss) on continuing operations for the year		**(3 048)**	**(3 159)**
Discontinued operations			-
Net profit (loss)		**(3 048)**	**(3 159)**
Other comprehensive income Other comprehensive income subject to reclassification to profit or loss		146	358
Revaluation of available-for-sale assets		146	358
Other comprehensive income (net)		**146**	**358**
Total comprehensive income		**(2 902)**	**(2 801)**
Profit (loss) per share			
Basic (PLN)	*6.21*	**(0.15)**	**(0.16)**
Diluted (PLN)	*6.21*	**(0.15)**	**(0.16)**

Robert Pydzik
/President of the Management Board/

Agnieszka Maliszewska
/Member of the Management Board/

Bożena Wincentowicz
/Person responsible for bookkeeping/

Lublin, 31 March 2017

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

2. Statement of financial position

At 31 December 2016			
in PLN 000s	**Note**	**31.12.2016**	**31.12.2015**
Assets			
Non-current assets			
Property, plant and equipment	*6.9*	63	110
Intangible assets	*6.10*	18	82
Investment properties	*6.11*	5 317	5 332
Loans issued	*6.12*	19 618	22 020
Other non-current investments	*6.12*	10 911	10 031
Other non-current assets	*6.14*	3 442	3 441
Deferred income tax assets	*6.16*	-	-
Total non-current assets		**39 369**	**41 016**
Current assets			
Inventory	*6.17*	19 115	23 564
Trade and other receivables	*6.18*	22 225	19 227
Cash and cash equivalents	*6.19*	42	154
Total current assets		**41 382**	**42 945**
Total assets		**80 751**	**83 961**

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At 31 December 2016
in PLN 000s

	Note	31.12.2016	31.12.2015
Equity and liabilities			
Equity			
Share capital	*4*	40 030	40 030
Own shares	*4*	-	-
Revaluation reserve	*4*	504	358
Supplementary capital	*4*	67 067	67 067
Retained earnings	*4*	(72 452)	(69 404)
Total equity		**35 149**	**38 051**
Liabilities			
Credit and loan liabilities	*6.22*	26 296	13 982
Bond liabilities	*6.23*	-	7 612
Provisions	*6.26*	9	7
including employee benefit provision	*6.26*	*9*	*7*
Deferred income tax provision	*6.16*	-	-
Other liabilities	*6.27*	2 130	2 138
Total non-current liabilities		**28 435**	**23 739**
Credit and loan liabilities	*6.22*	5 819	6 067
Bond liabilities	*6.23*	7 880	10 857
Income tax liabilities		-	-
Trade and other payables	*6.27*	2 329	4 111
Provisions	*6.26*	1 139	1 066
including employee benefit provision	*6.26*	*80*	*106*
Deferred revenue	*6.25*	-	70
including grants	*6.25*	-	*70*
Total current liabilities		**17 167**	**22 171**
Total liabilities		**45 602**	**45 910**
Total equity and liabilities		**80 751**	**83 961**

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3. Statement of cash flows

For the period 1 January 2016 - 31 December 2016 *in PLN 000s*	**Note**	**01.01.2016 31.12.2016**	**01.01.2015 31.12.2015**
Cash flows from operating activities			
Net loss for the period		**(3 048)**	**(3 159)**
Income tax paid		**-**	**-**
Deferred income tax	6.16	-	-
Adjustments			
Depreciation	6.4	114	301
Interest income		(622)	(1 665)
Change in fair value of investment properties		15	(123)
Deferred income tax assets	6.16	-	-
Deferred income tax provision	6.16	-	-
Finance costs		2 463	2 523
Gain (loss) on investing activities			-
Change in inventories		4 449	8 443
Change in trade and other receivables		(3 713)	(6 466)
Change in provisions	6.26	75	(317)
Change in current and other liabilities, excluding borrowings		(1 763)	(5 850)
Change in deferred revenue		(70)	(904)
Net cash from operating activities		**(2 100)**	**(7 217)**
Cash flows from investing activities			
Proceeds from sale of intangible assets and property, plant and equipment		-	(24)
Proceeds from sale of investment properties		-	4 228
Purchase of other financial assets		(387)	-
Sale of other financial assets		101	394
Purchase of intangible assets and property, plant and equipment		(3)	-
Interest received		711	859
Loans issued		(4 119)	(2 789)
Loans repaid		6 404	6 792
Net cash from investing activities		**2 707**	**9 460**
Cash flows from financing activities			
Bond buyback		(10 265)	(4 106)
Borrowings incurred		20 494	9 381
Outflows on repayment of borrowings		(9 114)	(5 268)
Repayment of finance lease liabilities			-
Interest paid		(1 834)	(2 177)
Net cash from financing activities		**(719)**	**(2 170)**
Total net cash flows		**(112)**	**73**
Cash and cash equivalents as at the beginning of period		154	81

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Effect of changes in exchange differences on cash and cash equivalents	-	-
Cash and cash equivalents as at the end of period	**42**	**154**
Restricted cash and cash equivalents at the end of period	**-**	**-**

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4. Statement of changes in equity

For the period 1 January 2016 - 31 December 2016

in PLN 000s	Share capital	Own shares	Supplementary capital	Revaluation reserve	Retained earnings (losses)	Total equity
Equity as at 01.01.2015	**40 030**	**(1)**	**67 068**	**-**	**(66 245)**	**40 852**
Comprehensive income	-	-	-	358	(3 159)	**(2 801)**
– *Result for the period*	-	-	-	-	*(3 159)*	*(3 159)*
– *Other income*	-	-	-	*358*	-	*358*
Disposal of own shares	-	1	(1)	-	-	-
Equity as at 31.12.2015	**40 030**	**-**	**67 067**	**358**	**(69 404)**	**38 051**
Equity as at 01.01.2016	**40 030**	**-**	**67 067**	**358**	**(69 404)**	**38 051**
Comprehensive income	-	-	-	146	(3 048)	**(2 902)**
– *Result for the period*	-	-	-	-	*(3 048)*	*(3 048)*
– *Other income*	-	-	-	*146*	-	*146*
Disposal of own shares	-	-	-	-	-	-
Equity as at 31.12.2016	**40 030**	**-**	**67 067**	**504**	**(72 452)**	**35 149**

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5. Additional information and explanations

5.1. Company information

WIKANA S.A. ("Entity," "Company") 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 Company 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 Company changed its name to Masters S.A. On 20 January 2003, the Company 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 Company changed its name to WIKANA S.A. The District Court in Lublin, 11th Commercial Division, registered the merger on 30 January 2009. The Company 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 are located in the District Court for Lublin-Wschód in Lublin, based in Świdnik, 6th Commercial Division of the National Court Register.

According to the Company's articles of association, its economic activities are as follows:

- Activities of head offices and holdings, except for financial holdings
- Property development
- Renting of real estate

These financial statements are prepared for the reporting period ending 31 December 2016 and contain comparative data for the financial year ended 31 December 2015.

5.2. Statement of compliance with IFRS

These 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 financial statements are prepared on the assumption that the Company will continue operating as a going concern for at least 12 months from the end of the reporting period. Despite a net loss recorded by the Company in 2016, during the reporting period and until the date on which these financial statements were prepared, the Management Board did not identify any significant indications of a threat to the Company's going concern.

The Company's Management Board assessed the risks and threats concerning the Company's ability to continue as a going concern, including the ability to repay its current liabilities. Details of the analysis are presented in note 6.28 (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 financial statements for 2016 are consistent with those used to prepare the entity's annual financial statements for 2015, except for the following amendments to standards and new interpretations issued by the IASB and endorsed by the EU, effective for annual periods beginning on or after 1 January 2016:

Changes resulting from IFRS amendments

The following new or amended standards and interpretations issued by the IASB are effective from 1 January 2016:

- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to IAS 16 and IAS 38 *Acceptable methods of depreciation and amortisation*
- Amendments to IAS 16 and IAS 41 *Agriculture*: *Bearer Plants*
- Amendments to IAS 27: *Equity method in separate financial statements*
- Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment Entities: Applying the Consolidation Exception*
- Amendments to various standards resulting from *Annual Improvements 2012-2014*
- Amendments to IAS 1: *Disclosure Initiative*

Application of the above amendments to standards did not have an impact on the Company's results and financial situation, and only resulted in changes to the adopted accounting principles or expansion of the scope of mandatory disclosures or change in terminology.

The main consequences of applying the new regulations are as follows:

- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to IFRS 11 were published on 6 May 2014 and are effective for annual periods beginning on or after 1 January 2016. The amendments aim to clarify the approach to account for the acquisition of an interest in a joint operation that is a business. The amendments require application of the same principles as in the case of business combinations.

The application of the amended standard has had no material impact on the Company's financial statements.

- Amendments to IAS 16 and IAS 38 *Acceptable methods of depreciation and amortisation*

The amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets were published on 12 May 2014 and are effective for annual periods beginning on or after 1 January 2016. *The amendment provides further explanation as to the permitted amortisation methods. The aim of the amendment is to show that a revenue-based method is not considered to be appropriate for property, plant and equipment, but for intangible assets it can be appropriate under certain circumstances.*

The application of the amended standard has had no material impact on the Company's financial statements.

- Amendments to IAS 16 and IAS 41 *Agriculture*: *Bearer Plants*

The amendments to IAS 16 and IAS 41 were published on 30 June 2014 and are effective for annual periods beginning on or after 1 January 2016. The change clarifies that bearer plants should be recognised as property, plant and equipment under IAS 16. Therefore, bearer plants should be incorporated into IAS 16 instead of IAS 41. Agricultural produce from bearer plants remain subject to IAS 41.

The application of the amended standard has had no material impact on the Company's financial statements.

- Amendments to IAS 27: *Equity method in separate financial statements*

The amendments to IAS 27 were published on 12 August 2014 and are effective for annual periods beginning on or after 1 January 2016. The amendments reinstate to the IFRS the choice of using the equity method for the measurement of investments in subsidiaries, joint ventures and associates. If this method is chosen, it must be applied for each investment within a given category.

The application of the amended standard has had no material impact on the Company's financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment Entities: Applying the Consolidation Exception*

The amendments to IFRS 10, IFRS 12 and IAS 28 were published on 18 December 2014 and are effective for annual periods beginning on or after 1 January 2016. Their aim is to clarify the accounting requirements for investment entities.

The Company applied the amendments on the date set by the European Union as the effective date for the standard, i.e. 1 January 2016.

The application of the above standards has no impact on the Company's financial statements.

- Amendments to various standards resulting from *Annual Improvements 2012-2014*

The following small amendments to four standards were introduced on 25 September 2014 as a result of the IFRS review:

– IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as regards reclassification of an asset or group for disposal from held for sale to held for distribution or vice versa;

– IFRS 7 Financial Instruments: Disclosures, clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements;

– IAS 19 Employee Benefits, as regards the currency of "high quality corporate bonds" used in estimating the discount rate;

– IAS 34 Interim Financial Reporting, clarifies means for presenting that the disclosures required by par. 16A IAS 34 were presented elsewhere in the interim report.

The amendments are usually effective for annual periods beginning on or after 1 January 2016. The Company considers that the application of the amended standards will not have material impact on its financial statements, except for the amendment to IAS 34, which might result in additional disclosures in the Company's interim financial statements.

- Amendments to IAS 1: *Disclosure Initiative*

Amendments to IAS 1 were published on 18 December 2014 as part of an overall disclosure initiative aimed at improving presentation and disclosures in financial reports. These amendments are aimed at further encouraging entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments clarify that materiality applies to the whole financial statements and that irrelevant information can obscure relevant financial disclosures. Furthermore, they make it clear that preparers should exercise judgement in determining where and in what order to present information in disclosures.

The amendments are accompanied by a draft amendment to IAS 7 Statement of Cash Flows, which increases the disclosure obligations concerning the entity's cash flows from financing activities and cash and cash equivalents.

The Company considers that the application of the amended standard has no material impact on its financial statements.

Changes introduced independently by the Company

The Company did not introduce a presentation adjustment to comparative data for 2015 and as at 31 December 2015.

Standards not in effect (new standards and interpretations)

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

The following standards and interpretations were issued by the IASB but were not yet effective 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 general hedge accounting model in order to streamline rules for presenting information on risk management in financial statements.

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

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

- 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 Company 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 Company'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.

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

- 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.

At the date on which these financial statements were prepared, a reliable assessment of the impact of this new standard was not possible. 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 Company will apply the new standard 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 this new standard was not possible.

- 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.

The Company considers that the application of the amended standard will have no material impact on its financial statements.

- 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.

The application of the amended standard will have no material impact on the Company's financial statements, other than a change in the scope of disclosures presented in 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 Company considers that the application of the amended standard will have no material impact on its financial statements.

- 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 considers that the application of the amended standard will have no material impact on its 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.

The Company considers that the application of the amended standard will have no material impact on its financial statements.

- 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:

- 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 usually effective for annual periods beginning on or after 1 January 2018. (some of the amendments are effective for annual periods beginning on or after 1 January 2017).

The Company considers that the application of the amended standard will have no material 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 Company will apply the new interpretation since 1 January 2018.

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

- 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 Company will apply the new standard from 1 January 2018.

The Company considers that the application of the amended standard will have no material impact on its financial statements.

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 16 Leases, published on 13 January 2016;
- 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;
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses, published on 19 January 2016;
- Amendments to IAS 7: Disclosure Initiative, published on 29 January 2016,
- Clarifications to IFRS 15: Revenue from Contracts with Customers, published on 12 April 2016,
- Amendments to IFRS 2: Classification and measurement of share-based payment transactions, published on 20 June 2016.
- Amendments to IFRS 4: Use of IFRS 9 Financial Instruments in IFRS 4 Insurance Contracts published on 12 September 2016.
- Amendments to various standards resulting from Annual Improvements 2014-2016, published on 8 December 2016
- IFRIC 22 Foreign Currency Transactions and Advance Consideration, published on 8 December 2016
- Amendments to IAS 40 Transfers of Investment Property, published on 8 December 2016

5.4. Basis for preparing the financial statements

Basis for measurement

These 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

The Company's functional currency is the zloty (PLN).

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 Company'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 Company'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 2016 with regard to contingent liabilities (note 6.31), investment and contractual liabilities (note 6.30), classification of lease contracts (note 6.29) and classification of properties by expected use (note 6.11).

Uncertainty of estimates

In preparing the financial statements the Company'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 2016 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 6.16 - deferred tax (assumptions for identifying deferred tax assets);
- Note 6.17 - inventory (write down to recoverable value);
- Note 6.18 - trade and other receivables (impairment of receivables);
- Note 6.26 - 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 financial statements were approved for publication by the Management Board on 31 March 2017.

5.5. Description of significant accounting policies

The accounting principles below were applied to all of the reporting periods presented in the Company's financial statements, except for changes resulting from new standards in effect since 1 January 2016, with no retrospective application.

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 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 31.12.2016	Exchange rate at 31.12.2015	Average exchange rate in period 01.01.2016–31.12.2016	Average exchange rate in period 01.01.2015–31.12.2015

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

EUR	4.4240	4.2615	4.3757	4.1848
USD	4.1793	3.9011	3.9680	3.7730

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
- it belongs in 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 Company'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 Company 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. Investment certificates are recognised at purchase price. Upon redemption of investment certificates pursuant to a redemption order, they are valued on redemption date at fair value, and the measurement result is recognised in the revaluation reserve.

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 Company 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 Company 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 Company**

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 Company 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 instrument in the Company.

Instruments containing embedded derivatives

The components of instruments issued by the Company are classified separate as financial liabilities and equity, in accordance with the content of the executed contract. 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 Company 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
- it belongs in 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 Company'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, the 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 Company 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 is 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.

The Company creates the supplementary capital 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 Company 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 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 Company 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 Company 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 Company.

Intangible assets

- **Intangible assets**

Intangible assets acquired by the Company 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.

- **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 Company 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 leases are not recognised in the Company's balance sheet. Investment properties used pursuant to operating leasing are recognised in the balance sheet at fair value.

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 connecting with financing the investment),

For a property investment, which constitutes production in progress, cost recording commences once the management board or other authorised entity at the company takes a decision to launch investment at the given location. Expenditures incurred prior to this date are classified as indirect costs and are recorded as administrative expenses in the current period. Transferring production in progress to finished products takes place after a use permit for the investment has been issued, however no later than upon execution of the first notarial deed.

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.

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 Company 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**

  Under existing regulations, the Company is required to collect and pay contributions for employee pensions. These benefits, in accordance with IAS 19, constitute a state program and are of a defined contribution plan. Accordingly, the Company'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 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 Company 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 Company 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 Company 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 Company'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 Company'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 Company 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.

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 Company 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 Company 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 in a manner different from other segments. The Company's basic reporting format uses operating segments.

5.6. Fair value measurements

Establishing the fair value of financial assets and non-financial assets is required from the viewpoint of the Company’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 Company's Management Board did not identify any atypical events that had material impact on the Company's financial statements.

5.8. Seasonality

The Company is exposed to volatility of revenue from sales throughout the financial year, determined by seasonality in the property development segment, which is linked to investment schedules as well as dependent on weather conditions, which affect the pace of construction work.

5.9. Changes in accounting principles

No changes were recorded since the annual financial statements were published, other than those described in point 5.3.

6. Additional information to the financial statements

6.1. Segment reporting

Segment reporting is presented by operating segments. The Company operates mainly in the south-eastern area of Poland. The main reporting pattern is operating segments, which results from the Company's management structure and internal reporting.

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. Items not allocated to segments cover mainly: loans issued and cash, credit and loans incurred, together with related costs, as well as income tax assets and liabilities.

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

Operating segments

The Company reports one operating segments: property development.

• The key criteria identifying this segment are as follows: sales (revenue from the sale of investment projects to subsidiaries, which develop them, are the main revenue category), assets (main asset items are land and expenditures on property development projects).

Segment reporting (continued)

Geographical segments

in PLN 000s	Domestic market		Total	
Continuing operations	**2016**	**2015**	**2016**	**2015**
Total revenue	**8 026**	**16 513**	**8 026**	**16 513**

Non-current assets

Non-current assets other than financial assets, deferred income tax assets, post-employment benefits and rights resulting from insurance agreements, presented as either in the country where the entity is head quartered or in all other countries.

in PLN 000s	Domestic market		Total	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
Non-current assets	**5 398**	**5 524**	**5 398**	**5 524**

	2016	**2015**	**2016**	**2015**
Capital expenditure	**3**	**22**	**3**	**22**

Extent to which the Company is dependent on its key clients

In 2016, the Company did not record transactions with any individual external client that would exceed 10% of total revenue. In 2015, the Company recorded one-off revenue from the sale of an investment property located in Lublin, ul. Hetmańska, to an external entity for PLN 4 200 000, which constituted 25% of the Company's operating revenue.

In 2016, revenue from sales at the investment PODPROMIE in Rzeszów to subsidiary Wikana Meritum Sp. z o.o. PANORAMA Sp.k. amounted to PLN 4 230 000, which constituted 53% of the Company's operating revenue. Moreover, revenue from sales at the investment ZIELONE TARASY in Rzeszów to subsidiary Wikana Meritum Sp. z o.o. SIGMA Sp.k. amounted to PLN 1 038 000, which constituted 13% of the Company's operating revenue.

In 2015, revenue from sales at the investment Sky House in Lublin (buildings B2 and B3) to subsidiary Wikana Meritum Sp. z o.o. MAGNOLIA Sp.k. amounted to PLN 3 400 000, which constituted 21% of the Company's operating revenue. Moreover, revenue from sales at the investment ZIELONE TARASY in Rzeszów (buildings E, F, L, N) to subsidiary Wikana Meritum Sp. z o.o. SIGMA Sp.k. amounted to PLN 3 027 000, which constituted 18% of the Company's operating revenue.

6.2. Revenue from sales

in PLN 000s	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Revenue from sale of property developments to subsidiaries	5 269	10 452
Revenue from sale of land	-	4 200
Revenue from provision of other services	2 712	1 596
Revenue from sale of property-development products	30	240
Rent income	15	25
	8 026	**16 513**

6.3. Other operating revenue

in PLN 000s	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Liabilities written-off	80	49
Grants	70	145
Revenue from non-statutory sales (re-invoicing)	35	624
Revenue from reversal of the impairment of receivables	16	23
Other operating revenue	19	114
Release of provisions for legal expenses	-	326
Revenue from compensation and contractual penalties	6	244
Revaluation of non-financial assets	-	61
	226	**1 586**

6.4. Costs by nature

in PLN 000s	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Depreciation	118	301
Use of materials and energy	32	40
External services	1 711	3 879
Taxes and fees	124	200
Salaries	1 220	1 338
Social security and other benefits	240	230
Other expenses by nature	223	526
Expenses by nature	**3 668**	**6 514**
Change in inventory, products and prepayments	4 656	12 555
Selling costs	(162)	(575)
Administrative expenses	(1 229)	(1 979)
Value of goods sold	-	-
Cost of sales	**6 933**	**16 515**

6.5. Other operating expenses

in PLN 000s	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Provisions for legal expenses	(100)	(126)
Cost of non-statutory sales (re-invoicing)	(34)	(125)
Cost of receivables impairment and recognition of provisions	-	(48)
Donations	-	(1)
Court and enforcement fees	(22)	-
Revaluation of non-financial assets	(10)	-
Other	(8)	(27)
	(174)	**(327)**

6.6. Gain on investments

in PLN 000s	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Interest income on issued loans	619	787
Revaluation of financial assets	115	-
Reversal of impairment losses on financial assets	101	404
Interest income on overdue debts	17	15
Other	82	53
	934	**1 259**

6.7. Finance costs

in PLN 000s	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Interest cost on credit facilities and bonds	(1 387)	(1 803)
Other interest	(1 321)	(1 235)
Revaluation of financial assets	(554)	(19)
Costs connected with change of legal form of subsidiaries	(408)	-
Result on disposal of shares in subsidiary	-	(7)
Other	(66)	(57)
	(3 736)	**(3 121)**

6.8. Income tax

in PLN 000s	01.01.2016 31.12.2016	01.01.2015 31.12.2015
Current income tax	-	-
Income tax for the current year	-	-
Adjustment for previous years	-	-
Deferred tax	-	-
Recognition / reversal of temporary differences	-	-
Other changes	-	-
Income tax on continuing operations	-	-
Income tax on discontinued operations	-	-
Share in the tax of associates and jointly controlled entities	-	-
Income tax recognised in the statement of comprehensive income	-	-

in PLN 000s	**01.01.2016 31.12.2016**	**01.01.2015 31.12.2015**
Effective tax rate		
Net profit for the financial year	(3 048)	(3 159)
Income tax		-
Profit before tax	**(3 048)**	**(3 159)**
Tax, based on the current tax rate (19%)	579	600
Temporary differences and tax losses for which no deferred tax asset was created	(1 892)	(457)
No recognition of assets in previous periods (overdue liabilities)	(73)	(21)
No recognition of assets in previous periods (release of provisions for legal expenses)	-	62
Temporary differences and tax losses for which no deferred tax asset was created (provision for legal expenses)	(19)	(14)
Permanent differences between tax and balance sheet costs and revenue	1 405	(170)
Income tax	**0**	**0**
Effective tax rate (%)	**0%**	**0%**

6.9. Property, plant and equipment

in PLN 000s **Gross value of property, plant and equipment**	**Land**	**Buildings and structures**	**Machinery and equipment**	**Means of transport**	**Other fixed assets**	**Fixed assets under construction**	**Advances for fixed assets**	**Total**
Gross value as at 1 January 2015	1	275	146	-	43	-	-	465
Acquisition		-	11	-	-	-	-	11
Gross value as at 31 December 2015	**1**	**275**	**157**	**-**	**43**	**-**	**-**	**476**
Gross value as at 1 January 2016	1	275	157	-	43	-	-	476
Acquisition		-	3	-	-	-	-	3
Gross value as at 31 December 2016	**1**	**275**	**160**	**-**	**43**	**-**	**-**	**479**

in PLN 000s **Depreciation and impairment**	**Land**	**Buildings and structures**	**Machinery and equipment**	**Means of transport**	**Other fixed assets**	**Fixed assets under construction**	**Advances for fixed assets**	**Total**
Depreciation and impairment as at 1 January 2015	(1)	(165)	(98)	-	(40)	-	-	(304)
Depreciation for the period		(27)	(33)	-	(2)	-	-	(62)
Depreciation and impairment as at 31 December 2015	**(1)**	**(192)**	**(131)**	**-**	**(42)**	**-**	**-**	**(366)**
Depreciation and impairment as at 1 January 2016	(1)	(192)	(131)	-	(42)	-	-	(366)
Depreciation for the period		(26)	(23)		(1)	-	-	(50)
Depreciation and impairment as at 31 December 2016	**(1)**	**(218)**	**(154)**	**-**	**(43)**	**-**	**-**	**(416)**
Net value								
At 1 January 2015	-	110	48	-	3	-	-	161
At 31 December 2015	**-**	**83**	**26**	**-**	**1**	**-**	**-**	**110**
At 1 January 2016	-	83	26	-	1	-	-	110
At 31 December 2016	-	**57**	**6**	**-**	**-**	**-**	**-**	**63**

Property, plant and equipment used under lease contracts

The Company held no fixed assets under leases at the end of 2016 and 2015.

Collateral

At both 31 December 2016 and 31 December 2015, no properties classified as property, plant and equipment served as collateral for bank loans or bonds (see note 6.22).

Fixed assets under construction

At the end of the reporting period, the value of PP&E under construction was PLN 0 (31 December 2015: PLN 0).

Impairment of property, plant and equipment

As at 31 December 2016, property, plant and equipment was subject to testing for impairment at the level of cash generating units. According to analysis as at the balance sheet date, there were no signs warranting an impairment test.

6.10. Intangible assets

in PLN 000s	**Software**
Gross value	
Gross value as at 1 January 2015	687
Acquisition	8
Disposal	-
Reclassification	-
Gross value as at 31 December 2015	**695**
Gross value as at 1 January 2016	695
Acquisition	-
Disposal	-
Reclassification	-
Gross value as at 31 December 2016	**695**

Amortisation and impairment	
Amortisation and impairment as at 1 January 2015	**(379)**
Depreciation for the period	(234)
Disposal	-
Amortisation and impairment as at 31 December 2015	**(613)**
Amortisation and impairment as at 1 January 2016	**(613)**
Depreciation for the period	(64)
Disposal	
Amortisation and impairment as at 31 December 2016	**(677)**

in PLN 000s	**Software**
Net value	
At 1 January 2015	308
At 31 December 2015	82
At 1 January 2016	82
At 31 December 2016	18

Amortisation of intangible assets

Amortisation of intangible assets is recognised in amortisation costs.

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:

in PLN 000s	**Fair value**
Net value at the beginning of 2015	**9 365**
Disposal of investment property	(4 090)
Change in fair value	57
Net value at the end of 2015	**5 332**
Net value at the beginning of 2016	**5 332**
Disposal of investment property	-
Change in fair value	(15)
Net value at the end of 2016	**5 317**

in PLN 000s	**01.01.2016 31.12.2016**	**01.01.2015 31.12.2015**
Recognised in comprehensive income		
Rent income on investment properties	7	9
Direct operating expenses (together with the cost of construction, repairs and maintenance) concerning investment properties that yielded rent income during the reporting period	10	8
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	-

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.

On 31 March 2015, the Company executed an agreement to sell an investment property located in Lublin, ul. Hetmańska.

For the purposes of investment property valuation, the Company 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,

The following key assumptions were used in the comparative approach:

Key assumptions	**Values**	**Co-dependency between the key unobservable inputs and fair value**
Location	40%	Fair value increases/decreases as adjustment coefficient increases/decreases
Surroundings and neighbourhood	15%	
Communication access	15%	
Target use of land	15%	
Land area	10%	
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 2016, no changes took place as to valuation methodologies for assets classified as level 3 in the fair value hierarchy.

In 2015-2016, the Company did not have any investment properties that constituted collateral for bank credit and finance leasing contracts.

6.12. Other non-current investments

in PLN 000s	**31.12.2016**	**31.12.2015**
Loans issued	19 618	22 020
Shares in related parties	10 912	10 031
	30 530	**32 051**

Loans issued

in PLN 000s	**31.12.2016**	**31.12.2015**
BIOENERGIA PLUS Sp. z o.o.	4 584	4 437
WIKANA PROPERTY Sp. z o.o. KOMERC Sp.k.	3 790	4 068
WIKANA PROPERTY Sp. z o.o. ALBA S.K.A.	667	822
ZIELONE TARASY S.A.	325	314
BIOENERGIA PLUS Sp. z o.o. 01 S.K.A.	156	151
WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A.	-	2
WIKANA PROPERTY Sp. z o.o. LEGNICA S.K.A.	4 219	4 229
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji	-	-
WIKANA PROJECT Sp. z o.o.	-	-
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 02 S.K.A.	-	11
WIKANA PROPERTY Sp. z o.o. 03 MIASTECZKO S.K.A.	1	1
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 05 MARINA S.K.A.	4	4
WIKANA PROPERTY Sp. z o.o.	1 649	1 593
WIKANA MERITUM Sp. z o.o. PANORAMA Sp.k.	145	36
WIKANA PROPERTY Sp. z o.o. DELTA S.K.A.	-	9
WIKANA PROPERTY Sp. z o.o. ZIELONE TARASY S.K.A.	69	79
WIKANA MERITUM Sp. z o.o. LAMDA S.K.A.	9	5 446
WIKANA PROPERTY Sp. z o.o. OMIKRON S.K.A.	1	1
Wikana Management Sp. z o.o.	-	393
WIKANA PROPERTY Sp. z o.o. SALIX Sp.k.	110	107
WIKANA MERITUM Sp. z o.o. ALFA Sp.k.	573	107
WIKANA PROPERTY Sp. z o.o. 04 OSIEDLE S.K.A.	-	30
WIKANA MERITUM Sp. z o.o. LARIX S.K.A.	98	138
WIKANA MERITUM Sp. z o.o. MAGNOLIA Sp.k.	52	12
WIKANA PRIM Sp. z o.o. BETA Sp.k.	1 368	30
WIKANA FORTEM Sp. z o.o..	2	-
WIKANA PROPERTY Sp. z o.o. JOTA Sp.k.	653	-
WIKANA PROPERTY Sp. z o.o. BETULA Sp.k.	666	-
WIKANA MERITUM Sp. z o.o. SIGMA Sp.k.	74	-

WIKANA PROPERTY Sp. z o.o. ROSA Sp.k.	362	-
Natural person	40	-
Total	**19 618**	**22 020**

The Company holds shares in subsidiaries. Stakes (%) in subsidiaries are presented in note 6.34.

Value of stakes in subsidiaries

in PLN 000s	31.12.2016	31.12.2015
BIOENERGIA PLUS Sp. z o.o.	201	201
Contribution to the capital of BIOENERGIA PLUS Sp. z o.o.	5 530	5 530
WIKANA PROJECT Sp. z o.o.	51	51
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji	2 000	2 000
Contributions to the capital of WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji	2 000	2 000
Multiserwis S.A. w likwidacji	18 787	18 787
WIKANA PROPERTY Sp. z o.o. ALBA S.K.A.	51	51
WIKANA PRIM Sp. z o.o. BETA Sp.k.	56	51
Towarzystwo Budownictwa Społecznego Nasz Dom Sp. z o.o.	355	355
WIKANA PROPERTY Sp. z o.o.	52	52
WIKANA MERITUM Sp. z o.o. PANORAMA Sp.k.	50	50
WIKANA PROPERTY Sp. z o.o. PODPROMIE S.K.A.	50	50
WIKANA PROPERTY Sp. z o.o. ZIELONE TARASY S.K.A.	50	50
WIKANA PROPERTY Sp. z o.o. SALIX Sp.k.	50	50
WIKANA FORTEM Sp. z o.o. ACER Sp.k.	51	51
WIKANA MERITUM Sp. z o.o. ALFA Sp.k.	51	51
WIKANA PROPERTY Sp. z o.o. BETULA Sp.k.	56	52
WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A.	51	51
WIKANA PROPERTY Sp. z o.o. GAMMA Sp.k.	51	51
WIKANA PROPERTY Sp. z o.o. JOTA Sp.k.	56	51
WIKANA PROPERTY Sp. z o.o. KAPPA S.K.A.	51	51
WIKANA MERITUM Sp. z o.o. LAMDA S.K.A.	52	52
WIKANA MERITUM Sp. z o.o. LARIX S.K.A.	51	51
WIKANA MERITUM Sp. z o.o. SIGMA Sp.k.	51	51
WIKANA PROPERTY Sp. z o.o. ROSA Sp.k.	51	51
WIKANA MERITUM Sp. z o.o. MAGNOLIA Sp.k.	56	51
WIKANA PROPERTY Sp. z o.o. OMEGA S.K.A.	52	52
WIKANA PROPERTY Sp. z o.o. OMIKRON S.K.A.	51	51
Wikana Management Sp. z o.o.	52	52
Wikana Meritum Sp. z o.o.	50	50
WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A.	529	529
Wikana Prim Sp. z o.o.	5	5
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 02 S.K.A.	1	1
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 05 MARINA S.K.A.	1	1
WIKANA PROPERTY Sp. z o.o. LEGNICA S.K.A.	1	1
WIKANA PROPERTY Sp. z o.o. KOMERC Sp.k.	6	1
BIOENERGIA PLUS Sp. z o.o. 01 S.K.A.	2	2
WIKANA FORTEM Sp. z o.o.	6	-
WIKANA PROPERTY Sp. z o.o. 04 OSIEDLE S.K.A.	2 909	-
ZIELONE TARASY S.A.	122	-

WIKANA FIZ certificates	-	1 628
Impairment of shares in Multiserwis S.A. w likwidacji	(18 787)	(18 787)
Impairment of shares in Wikana Nieruchomości Sp. z o.o. w likwidacji	(4 000)	(3 446)
Total	**10 911**	**10 031**

6.13. Current financial assets (loans issued)

In 2015-2016 and as at the balance sheet dates ending these periods, the Company did not have any current financial assets in the form of loans issued.

6.14. Other non-current assets

in PLN 000s	**31.12.2016**	**31.12.2015**
Other receivables from trade in debt with subsidiaries	3 442	3 441
	3 442	**3 441**

6.15. Non-current assets held for sale

The Company did not hold any available-for-sale assets in 2015-2016.

6.16. Deferred tax

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

	Assets		**Provisions**		**Net value**	
in PLN 000s	**31.12.2016**	**31.12.2015**	**31.12.2016**	**31.12.2015**	**31.12.2016**	**31.12.2015**
Property, plant and equipment	-	-	(3)	(4)	(3)	(4)
Investment properties	-	-	(738)	(741)	(738)	(741)
Impairment of inventory and PP&E	23	26	-	-	23	26
Employee benefits	17	22	-	-	17	22
Impairment of receivables	159	351	-	-	159	351
Liabilities, provisions and the related assets	23	21	-	-	23	21
Shares	4 330	4 225	-	-	4 330	4 225
Unpaid remuneration	7	7	-	-	7	7
Contractual penalties charged	-	-	(1)	(156)	(1)	(156)
Interest due	-	-	(578)	(595)	(578)	(595)
Interest charged	462	355	-	-	462	355
Tax losses subject to deduction in future periods	3 824	4 876	-	-	3 824	4 876
Impairment of deferred tax assets	(7 525)	(8 387)	-		(7 525)	(8 387)
Deferred income tax assets / (liabilities)	1 320	1 496	(1 320)	(1 496)	-	-
Compensation	(1 320)	(1 496)	1 320	1 496	-	-
Deferred income tax assets / (liabilities) recognised in the balance sheet	-	-	-	-	-	-

Change in temporary differences during the period

in PLN 000s	**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	(4)	1	(3)
Investment properties	(741)	3	(738)
Liabilities	21	2	23
Receivables	351	(334)	17
Shares	4 225	(4 066)	159
Interest charged	355	(332)	23
Employee benefits	22	(4 308)	4 330
Unpaid remuneration	7	-	7
Impairment of inventory and PP&E	26	(27)	(1)
Contractual penalties charged	(156)	(422)	(578)
Interest due	(595)	(1 057)	462
Tax loss	4 876	(1 052)	3 824
Impairment of deferred tax assets	(8 387)	862	(7 525)
	-	-	-

Change in temporary differences during the period

in PLN 000s	**As at 31 Dec 2014**	**Change in temporary differences recognised in the statement of comprehensive income**	**As at 31 Dec 2015**
Property, plant and equipment	(5)	1	(4)
Investment properties	(1 161)	420	(741)
Liabilities	157	(136)	21
Receivables	453	(102)	351
Shares	4 221	4	4 225
Interest charged	473	(118)	355
Employee benefits	24	(2)	22
Unpaid remuneration	8	(1)	7
Impairment of inventory and PP&E	513	(487)	26
Contractual penalties charged	(156)	-	(156)
Interest due	(455)	(140)	(595)
Tax loss	3 858	1 018	4 876
Impairment of deferred tax assets	(7 930)	(457)	(8 387)
	-	-	-

In 2012-2016, the Company generated a tax loss of PLN 20 416 000, which can be realised in future periods. The Company created a deferred tax asset on the tax loss of PLN 3 824 000. In its financial statements, the Company offsets the deferred tax asset with a deferred tax provision, and the excess is written off. In connection with the above, the Company'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

	2016	**2015**	**2014**	**2013**	**2012**	**Total**
Loss amount	-	5 116	10 307	1 794	3 199	20 416

6.17. Inventory

in PLN 000s	**31.12.2016**	**31.12.2015**

Production in progress	18 823	22 948
Finished products	292	616
	19 115	**23 564**

As at 31 December 2016, PLN 236 000 in interest and commission on bank credit was capitalised on the Company's inventory (31 December 2015: PLN 236 000), with PLN 0 capitalised in 2016.

Inventory by category, as at 31 December 2016

in PLN 000s	**Production in progress**	**Finished products**
Osiedle Marina investment, Lublin	4 918	-
Niecała investment, Lublin	3 288	-
Sky House investment, Lublin	293	315
Osiedle Cetnarskiego investment, Łańcut	-	28
Zielone Tarasy investment, Rzeszów	926	-
Podpromie investment, Rzeszów	-	-
Osiedle Panorama investment, Rzeszów	-	-
Investment in Przemyśl	3 401	-
Investment at Al.	5 935	-
Other	62	(51)
	18 823	**292**

The Management Board verified the value of land held by the Company as at 31 December 2016 and concluded that there was no impairment.

The Management Board verified the value of the Company's production in progress as at 31 December 2016 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 2016 and concluded that no impairment took place because the expected revenue from the investments will be higher than the costs incurred. At 31 December 2016, impairment on finished products was PLN 56 000 (as at 31 December 2015: PLN 69 000).

In 2016, costs of development investments, amounting to PLN 5 194 000, were reclassified from inventory to operating expenses (31 December 2015: PLN 10 186 000).

Impairment of inventory in 2016 was PLN 123 000 (2015: PLN 137 000). In both 2015 and 2016, the Company did not reverse impairment losses due to an increase in the value of inventory. The change in value of inventory between the years results only from sales by the Company of inventory covered by impairment.

6.18. Trade and other receivables

in PLN 000s	**31.12.2016**	**31.12.2015**
Trade receivables	21 273	17 262
Other receivables	855	1 821
Tax receivables	45	94
Prepayments	52	50
	22 225	**19 227**

The 'other receivables' item includes, among others, receivables purchased from subsidiaries worth PLN 355 000.

Receivables denominated in currencies other than the functional currency as at 31 December 2016 amounted to PLN 0 (31 December 2015: PLN 0).

Impairment of trade and other receivables as at 31 December 2016 was as follows: PLN 837 000, including PLN 347 000 concerning trade receivables (31 December 2015: PLN 1 598 000). Detailed information on the impairment of receivables is presented in note 6.28.

6.19. Cash and cash equivalents

in PLN 000s	31.12.2016	31.12.2015
Cash on hand and in bank accounts	42	154
Trustee accounts	-	-
Other	-	-
	42	**154**

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

As of 31 December 2016 and 31 December 2015, the Company hold no restricted cash.

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.

6.20. Shares and shareholders

Share capital

	Shares	
	31.12.2016	**31.12.2015**
Number of shares at the beginning of period (fully paid-in)	20 014 797	20 014 797
- including own shares	-	293
Purchase of own shares	-	-
Share cancellation	-	-
Disposal of own shares	-	(293)
Nominal value per share (in PLN)	2.00	2.00
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 2016

Shareholder	Number of shares	Number of votes at GM	Nominal value per share	Stake in share capital	Stake in GM votes
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%
TOTAL:	**20 014 797**	**20 014 797**	**40 029 594**	**100.00%**	**100.00%**

(*) 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. 14 November 2016, to the date on which this report was published, the Company's shareholding structure was subject to the following changes:

- as per a notification received by the Company on 29 December 2016, MWM Investments Limited, based in Mriehel, sold pursuant to an agreement of 13 October 2016 6 320 124 shares in the Company, which constituted 31.58% of the Company's share capital and entitled to 6 320 124 votes at the Company's general meeting, i.e. 31.58% of total votes; with these shares being removed from MWM Investments Limited's securities account on 27 December 2016;
- as per a notification received by the Company on 29 December 2016, Sarmira Limited, based in Mriehel, sold pursuant to an agreement of 13 October 2016 6 880 260 shares in the Company, which constituted 34.38% of the Company's share capital and entitled to 6 880 260 votes at the Company's general meeting, i.e. 34.38% of total votes; with these shares being removed from Sarmira Limited's securities account on 27 December 2016;
- as per a notification received by the Company on 29 December 2016, as a result of settling a transaction outside the regulated market on 27 December 2016, VALUE FIZ z wydzielonym Subfunduszem 1, based in Warsaw, ("Fund") purchased from its subsidiaries 13 200 384 shares of the Company, constituting 65.95% of the Company's share capital and entitling to 13 200 384 votes at the Company's general meeting, which constituted 35.95% of total votes, as a result of which the Fund's stake in the Company's share capital changed from direct and indirect to direct only.

Dividends paid

During the period 1 January - 31 December 2016 and until this report was published, the Company did not pay a dividend.

Change in capital - supplementary capital

in PLN 000s	**31.12.2016**	**31.12.2015**
As at the beginning of period	67 067	67 068
Increases	-	-
Decreases	-	(1)
As at the end of period	**67 067**	**67 067**

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

6.21. Earnings per share

Earnings per share for the period ended 31 December 2016

Basic earnings per share as at 31 December 2016 were calculated based on net profit for the year attributable to the Company's common shareholders in the following amounts:

	01.01.2016 31.12.2016	**01.01.2015 31.12.2015**
Profit / (loss) per share	(3 048)	(3 159)

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

	31.12.2016	**31.12.2015**
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)	**20 014 797**	**20 014 797**

	31.12.2016	**31.12.2015**
Weighted average number of ordinary shares during the period	20 014 797	20 014 797
Weighted average (diluted) number of ordinary shares at the end of period	**20 014 797**	**20 014 797**

Basic profit (loss) per share in PLN	**(0.15)**	**(0.16)**
Diluted profit (loss) per share in PLN	**(0.15)**	**(0.16)**

6.22. 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.

Borrowings by type	**31.12.2016**	**31.12.2015**
in PLN 000s		
Credit facilities	-	-
Loans	**32 115**	**20 049**
including:		
Short-term part	5 819	6 067
Long-term part	26 296	13 982
Borrowings with repayment period from the balance sheet date	**31.12.2016**	**31.12.2015**
in PLN 000s		
up to 12 months	5 819	6 067
from 1 to 3 years	845	794
from 3 to 5 years	25 451	13 188
over 5 years	-	-
Total borrowings	**32 115**	**20 049**

Borrowings (currency structure)	**31.12.2016**	**31.12.2015**
in PLN 000s		
in PLN	32 115	20 049
in foreign currencies	-	-
Total borrowings	**32 115**	**20 049**

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	384	31.12.2017	Variable	Own promissory note issued by borrower
Palametra Holdings Limited (formerly:	13.09.2013	3 530	3 394	31.12.2017	Variable	Own promissory note issued by borrower
Renale Management Limited)	04.03.2014	150	175	31.03.2017	Variable	Own promissory note issued by borrower
Palametra Holdings Limited (formerly: Ipnihome Limited)	30.10.2012	1 300	1 208	31.12.2017	Variable	In-blanco own promissory note issued by borrower
	04.03.2014	100	116	31.03.2017	Variable	In-blanco own promissory note issued by borrower
Sanwil Holding S.A.	21.11.2013	700	845	31.01.2018	Variable	Own promissory note issued by the borrower
	03.07.2013	357	439	31.12.2017	Variable	Own promissory note issued by the borrower
Other		103	103			n/a
Total		**6 540**	**6 664**			

Loans from WIKANA Group entities

Lender	Agreement date	Loan limit in PLN 000s	Amount of liability in PLN 000s	Interest	Repayment date	Collateral
Wikana Property Sp. z o.o. Omega S.K.A.	01.07.2014	15 000	2 119	Variable	31.12.2020	in-blanco promissory note
WIKANA PROPERTY Sp. z o.o. DELTA S.K.A.	01.07.2014	15 000	129	Variable	31.12.2020	in-blanco promissory note
WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A.	01.07.2014	15 000	326	Variable	31.12.2020	in-blanco promissory note
WIKANA PROPERTY Sp. z o.o. SALIX Sp.k.	01.07.2014	15 000	69	Variable	31.12.2020	in-blanco promissory note
WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A.	01.07.2014	30 000	20 319	Variable	31.12.2020	in-blanco promissory note
WIKANA FORTEM Sp. z o.o. ACER Sp.k.	01.07.2014	15 000	1 457	Variable	31.12.2020	in-blanco promissory note
WIKANA PROPERTY Sp. z o.o. GAMMA Sp.k.	01.07.2014	15 000	27	Variable	31.12.2020	in-blanco promissory note
WIKANA PROPERTY Sp. z o.o. KAPPA S.K.A.	01.07.2014	15 000	1	Variable	31.12.2020	in-blanco promissory note
WIKANA PROPERTY Sp. z o.o. 03 MIASTECZKO S.K.A.	01.07.2014	15 000	772	Variable	31.12.2020	in-blanco promissory note
WIKANA PROPERTY Sp. z o.o. 04 OSIEDLE S.K.A.	01.07.2014	15 000	147	Variable	31.12.2020	in-blanco promissory note
WIKANA PROJECT Sp. z o.o.	01.07.2014	15 000	85	Variable	31.12.2020	in-blanco promissory note
Total		**180 000**	**25 451**			

6.23. Bond liabilities

in PLN 000s	**01.01.2016 31.12.2016**	**01.01.2015 31.12.2015**
Bond liabilities at the beginning of period	**18 469**	**28 800**
Issuance costs at the beginning of period	66	460
Proceeds from bond issues	-	-
Issuance costs in the period	-	-
Net proceeds from bond issues	**-**	**-**
Cost of bond issues settled over time	-	(66)
Interest recognised as finance costs	968	1 788
Repayment of interest accrued in previous periods	(658)	(1 118)
Repayment of interest accrued in current period	(700)	(1 130)
Bond buyback	(10 265)	(10 265)
Total	**7 880**	**18 469**
Short-term part	7 880	10 857
Long-term part	-	7 612
Bond liabilities at the end of period	**7 880**	**18 469**

Debt instruments by type

	Nominal amount	Terms of interest	Guarantees / collateral	Maturity date
Series B ordinary bonds issued by Wikana S.A.	7 612	WIBOR 6M + margin	Unsecured	18.01.2017

Bond liabilities by maturity

in PLN 000s	**31.12.2016**	**31.12.2015**
up to 12 months	7 880	10 857
from 1 to 3 years	-	7 612
from 3 to 5 years	-	-
over 5 years	-	-
Bond liabilities	**7 880**	**18 469**

6.24. Finance lease liabilities

In 2015 and 2016 the Company held no finance lease liabilities.

6.25. Deferred revenue

Deferred revenue mainly comprise advances from counterparties concerning sale of land and grants.

in PLN 000s	**31.12.2016**	**31.12.2015**
Grants	-	70
Advance on sale of land	-	-
	-	**70**

6.26. Provisions

in PLN 000s	Legal	Liabilities	Employee	Total
At 01.01.2016	**74**	**886**	**113**	**1 073**
Increases / recognition	100	-	89	189
Decreases / use	-	-	(113)	(113)
Value as at 31.12.2016	**174**	**886**	**89**	**1 149**
Long-term part	-	-	9	9
Short-term part	174	886	80	1 140
At 31.12.2015	**74**	**886**	**113**	**1 073**
Long-term part	-	-	7	7
Short-term part	74	886	106	1 066

The provision for legal liabilities covers the amounts of potential penalties that may be imposed on the Company due to executed agreements and that are more than 50% likely to occur (according to the Company's management), as well as court cases against the Company - if the likelihood of a positive ruling is less than 50% (according to the management).

The provisions were estimated using the Company's best knowledge and on the basis of historic experiences.

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 Company is a party to proceedings before common courts. At 31 December 2016 the Company 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 management's assessment, the Company's negotiating position in the on-going proceedings, the Company decided not to disclose this data.

6.27. Trade and other payables

in PLN 000s	31.12.2016	31.12.2015
Other non-current liabilities	**2 130**	**2 138**
Other non-current liabilities	2 130	2 138
Trade and other payables and other current liabilities	**2 329**	**4 111**
Trade payables	1 340	2 998
Retained deposits - short-term part	336	618
Liabilities towards public authorities	161	314
Other liabilities	492	181
Total	**4 459**	**6 249**

Deposits are retained by the Company 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 or claims that might arise in connection with repairs.

Other liabilities cover the Company's liabilities due to remuneration and other settlements with employees.

6.28. Financial instruments and currency risk management

Classification of assets into categories of financial instruments

in PLN 000s	**31.12.2016**	**31.12.2015**
Loans and receivables - related parties	**40 709**	**38 918**
Loan	19 578	22 020
Trade receivables	21 131	16 898
Loans and receivables - other entities	**223**	**518**
Trade receivables	141	364
Loan	40	-
Cash	42	154
Loans and receivables - total	**40 932**	**39 436**
Available-for-sale assets	**10 911**	**10 031**
Value of shares in related parties	10 911	10 031
Total	**51 843**	**49 467**

Classification of financial liabilities into categories of financial instruments

in PLN 000s	**31.12.2016**	**31.12.2015**
Financial liabilities measured at amortised cost	**41 670**	**42 134**
Credits and loans	32 115	20 049
Trade payables	1 339	2 998
Bonds	7 880	18 469
Deposits	336	618
Total	**41 670**	**42 134**

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

31.12.2016	Loans and receivables					Financial liabilities carried at amortised cost					
in PLN 000s	Loans	Trade receivables	Deposits	Available-for-sale assets	Cash	Credits and loans	Trade payables	Bonds	Deposits	Leasing	**Total**
Interest income/costs recognised in:	**620**	**-**	**-**	**17**	**-**	**(1 720)**	**(17)**	**(1 033)**	**-**	**-**	**(2 133)**
Finance income	*620*	*-*	*-*	*17*	*-*	*-*	*-*	*-*	*-*	*-*	***637***
Finance costs	*-*	*-*	*-*	*-*	*-*	*(1 720)*	*(17)*	*(1 033)*	*-*	*-*	***(2 770)***
	-										
Measurement of investment certificates	**-**	**-**	**-**	**-**	**14**	**-**	**-**	**-**	**-**	**-**	**14**
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Finance income	-	-	-	-	14	-	-	-	-	-	14
Recognition of impairment recognised in:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other operating expenses	-	-	-	-	-	-	-	-	-	-	-
Reversal of impairment recognised in:	**115**	**16**	**-**	**101**	**-**	**-**	**80**	**-**	**-**	**-**	**312**
Other operating revenue	*-*	*16*	*-*	*-*	*-*	*-*	*80*	*-*	*-*	*-*	***96***
Finance income	*115*	*-*	*-*	*101*	*-*	*-*	*-*	*-*	*-*	*-*	***216***
Net profit / (loss) on continuing operations	**735**	**16**	**-**	**118**	**14**	**(1 720)**	**63**	**(1 033)**	**-**	**-**	**(1 807)**

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

31.12.2015	Loans and receivables					Financial liabilities carried at amortised cost					
in PLN 000s	Loans	Trade receivables	Deposits	Available-for-sale assets	Cash	Credits and loans	Trade payables	Bonds	Deposits	Leasing	**Total**
Interest income/costs recognised in:	801	-	-	-	-	(780)	(96)	(1 788)	-	-	(1 863)
Finance income	*801*	-	-	-	-	-	-	-	-	-	*801*
Finance costs	-	-	-	-	-	*(780)*	*(96)*	*(1 788)*	-	-	*(2 664)*
Measurement of investment certificates	-	-	-	358	-	-	-	-	-	-	358
Other comprehensive income	-	-	-	*358*	-	-	-	-	-	-	*358*
Recognition of impairment recognised in:		-	-	-	-	-	(48)	-	-	-	(48)
Other operating expenses	-	-	-	-	-	-	*(48)*	-	-	-	*(48)*
Reversal of impairment recognised in:	-	476	-	-	-	-	-	-	-	-	476
Other operating revenue	-	*72*	-	-	-	-	-	-	-	-	*72*
Finance income	-	*404*	-	-	-	-	-	-	-	-	*404*
Net profit / (loss) on continuing operations	**801**	**476**	**-**	**358**	**-**	**(780)**	**(144)**	**(1 788)**	**-**	**-**	**(1 077)**

Financial risk management objectives and methodology

The Company 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 Company'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 Company 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 Company's business. The Company also does not hedge against foreign exchange risk.

Credit risk related to cash and bank deposits

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

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

Credit risk relating to trade receivables

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

As at 31 December 2016 and 31 December 2015, analysis of overdue trade receivables was as follows:

		31.12.2016	
in PLN 000s	**Gross value**	**Impairment**	**Net value**
Not overdue	7 868	-	7 868
Overdue by:			
0-180 days	11 560	-	11 560
180-360 days	737	-	737
over 360 days	1 504	(347)	1 108
	21 669	**(347)**	**21 273**

		31.12.2015	
in PLN 000s	**Gross value**	**Impairment**	**Net value**
Not overdue	12 474	-	12 474
Overdue by:			
0-180 days	3 343	-	3 343
180-360 days	500	-	500
over 360 days	2 204	(1 259)	945
	18 521	**(1 259)**	**17 262**

Presented below are changes in the impairment of trade and other receivables in 2016 and 2015:

in PLN 000s	**31.12.2016**	**31.12.2015**
As at the beginning of period	1 259	1 391
Change in impairment	(912)	(132)
As at the end of period	**347**	**1 259**

Interest rate risk

The Company 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 2016, 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.

in PLN 000s	**31.12.2016**	**31.12.2015**
Floating-rate credit	-	-
Fixed-rate loans	103	219
Floating-rate loans	32 012	19 830
Floating-rate bonds	7 880	18 469
Fixed-rate total	**103**	**219**
Floating-rate total	**39 892**	**38 299**

Analysis of the Company'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.

in PLN 000s	**31.12.2016**		**31.12.2015**	
	up 1%	down 1%	up 1%	down 1%
Floating-rate instruments	**379**	**(379)**	**367**	**(367)**

Currency risk

The Company is not exposed to foreign exchange risk. All transactions are in PLN. Issued loans and received credit facilities are also denominated in PLN. The Company does not have any receivables or liabilities denominated in foreign currencies. The Company does not have cash in foreign currencies.

Liquidity risk

The Company monitors liquidity risk on an on-going basis. This concerns the liquidity situation in both the next several days, as well as several years.

The Company's Management Board assessed its expected liquidity situation for the 12 months from the date of the separate financial statements.

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

As at 31 December 2016, the total amount of Wikana S.A.'s liabilities due for repayment in 2017 (i.e. current liabilities), excluding provisions, was PLN 16 029 000. This item mainly comprises borrowings, bonds and trade payables. Of the total amount of current liabilities, amounting to PLN 17 447 000, PLN 16 029 000 will need to be repaid, i.e. subtracting provisions.

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

- The Company's Management Board estimates that in 2017 it will sell residential units, service units and parking spaces in buildings that have use permits.
- Excess cash generated from transactions with subsidiaries within Wikana Group Given the fact that the Company's debt is predominantly used to provide finance to subsidiaries (e.g. special purpose vehicles developing property projects), it is natural that they substantially participate in servicing the debt. The Company will be raising finance for companies within the Group, including loans.

According to the Management Board, no significant threat exists to the Company's operations in the course of the next 12 months from the date on which these financial statements were prepared. The Management Board is confident that it will be able to provide the Company 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 2016 and 31 December 2015.

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 Company defines capital as the balance sheet value of equity. The key ratio used by the Company to monitor equity is equity-to-assets.

As at 31 December 2016, this ratio was 43.5% (31 December 2015: 45.3%). The Company 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.

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

6.29. Operating leases

Payments under irrevocable operating lease contracts are as follows:

in PLN 000s	**31.12.2016**	**31.12.2015**
up to 1 year	233	236
1 to 5 years	932	946
over 5 years	1 165	1 182
	2 330	**2 364**

The Company is a party to lease and rent contracts and pays fees on perpetual usufruct of land, which are qualified as operating leases.

The total amount of future payments under operating lease contracts as at 31 December 2016 included fees for perpetual usufruct of land of PLN 2 000 (31 December 2015: PLN 2 000).

During the period ended 31 December 2016, rent fees of PLN 189 000 were recognised as operating costs - costs to rent space / operating leasing (31 December 2015: PLN 197 000).

Operating lease contracts, where the Company is the lessor

The Company has rented out an investment property located in Lublin, ul. Przyjaźni and ul. Nowy Świat through operating leasing (see note 6.11). Payments under irrevocable lease contracts are as follows:

in PLN 000s	**31.12.2016**	**31.12.2015**
up to 1 year	7	18
1 to 5 years	28	34
over 5 years	35	42
	70	**94**

6.30. Investment and contractual obligations

These liabilities mainly concern future liabilities related to land procurement and preliminary agreements.

As at 31 December 2016, the total value of future liabilities on general contractor agreements, which have not yet been invoiced, was PLN 390 000 (31 December 2015: PLN 0). Property development investments are realised through special purpose vehicles.

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 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 Company's opinion is that there is no need for recognising provisions in this area.

Sureties and guarantees issued

On 13 September 2012, the Company issued a surety in the form of own promissory note up to PLN 1 528 000 to subsidiary Wikana Bioenergia Sp. z o.o., covering existing and potential liabilities under an investment credit facility agreement between Wikana Bioenergia Sp. z o.o. and BOŚ S.A. dated 13 September 2013.

On 7 May 2012, the Company established a registered pledge on shares in Wikana Nieruchomości Sp. z o.o. and issued a surety in the form of own promissory note up to PLN 3 226 000 to subsidiary Wikana Nieruchomości Sp. z o.o. Alba S.K.A., covering existing and potential liabilities under an agreement to finance a commercial property between Wikana Nieruchomości Sp. z o.o. Alba S.K.A. and Deutsche Bank PBC S.A. dated 26 April 2012.

On 17 January 2013, the Company established a registered pledge on shares in Wikana Nieruchomości Sp. z o.o. and issued a surety in the form of own promissory note up to PLN 1 037 000 to subsidiary Wikana Nieruchomości Sp. z o.o. Alba S.K.A., covering existing and potential liabilities under an agreement to finance a commercial property between Wikana Nieruchomości Sp. z o.o. Alba S.K.A. and Deutsche Bank PBC S.A. dated 17 January 2013.

On 27 June 2012, the Company issued a surety in the form of own promissory note up to PLN 3 752 000 to subsidiary Wikana Property Sp. z o.o. Komerc S.K.A., covering existing and future liabilities under an operating lease agreement between Wikana Property Sp. z o.o. Komerc S.K.A. and Bankowy Leasing Sp. z o.o. dated 27 June 2012.

On 16 December 2011, the Company issued a surety in the form of own promissory note up to PLN 4 205 000 to subsidiary Wikana Property Sp. z o.o. Komerc S.K.A., covering existing and future liabilities under a finance lease agreement between Wikana Property Sp. z o.o. Komerc S.K.A. and BFL Nieruchomości Sp. z o.o. dated 16 December 2011.

On 11 June 2012, the Company issued a surety in the form of own promissory note up to PLN 4 789 000 to subsidiary Wikana Property Sp. z o.o. Komerc S.K.A., covering existing and future liabilities under an operating lease agreement between Wikana Property Sp. z o.o. Komerc S.K.A. and Bankowy Leasing Sp. z o.o. dated 11 June 2012.

On 27 June 2012, the Company issued a surety in the form of own promissory note up to PLN 6 726 000 to subsidiary Wikana Property Sp. z o.o. Komerc S.K.A., covering existing and future liabilities under an operating lease agreement between Wikana Property Sp. z o.o. Komerc S.K.A. and Bankowy Leasing Sp. z o.o. dated 27 June 2012.

On 26 November 2014, the Company issued a surety up to PLN 6 000 000 to subsidiary Wikana Property Sp. z o.o. Omega S.K.A., covering existing and potential liabilities connected with series A bonds issued by Wikana Property Sp. z o.o. Omega S.K.A. on 21 February 2014.

On 30 October 2015, the Company issued a surety up to PLN 33 000 000 to subsidiary Wikana Meritum Sp. z o.o. Corylus S.K.A., covering existing and potential liabilities connected with series B bonds issued by Wikana Meritum Sp. z o.o. Corylus S.K.A. on 16 October 2015. As at 31 December 2016, bond-related liabilities amounted to PLN 22 000 000.

On 27 July 2016, the Company issued a surety in the form of own promissory note up to PLN 9 000 000 to subsidiary WIKANA FORTEM Sp. z o.o. ACER Sp.k., covering existing and future liabilities under a credit agreement between WIKANA FORTEM Sp. z o.o. ACER Sp.k. and Raiffeisen Bank Polska S.A. dated 27 July 2016.

On 23 September 2016, the Company provided PLN 2 140 000 in financing for subsidiary WIKANA PRIM Sp. z o.o. BETA Sp.k., covering existing and potential liabilities under a credit agreement between WIKANA PRIM Sp. z o.o. BETA Sp.k. and mBank Hipoteczny S.A. dated 23 September 2016.

On 10 November 2016, the Company issued a surety in the form of own promissory note up to PLN 5 335 000 to subsidiary WIKANA PROPERTY Sp. z o.o. JOTA Sp.k., covering existing and future liabilities under a credit agreement between WIKANA PROPERTY Sp. z o.o. JOTA Sp.k. and Nadsański Bank Spółdzielczy dated 10 November 2016.

On 5 December 2016, the Company submitted to enforcement of up to PLN 2 140 000, covering existing and potential liabilities under a credit agreement between WIKANA PRIM Sp. z o.o. BETA Sp.k. and mBank Hipoteczny S.A. dated 23 September 2016.

On 5 December 2016, the Company submitted to enforcement of up to PLN 10 670 000, covering existing and future liabilities under a credit agreement between WIKANA PROPERTY Sp. z o.o. JOTA Sp.k. and Nadsański Bank Spółdzielczy dated 5 December 2016.

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 7 873 000, of which:

- PLN 4 549 000 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 suit company of PLN 4 189 000 The claim is viewed as justified.
- PLN 3 324 000 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 23 November 2011 by the Company for the payment of PLN 874 000 towards a commercial law 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 unfavourable outcomes of the above disputes relating to the Company's liabilities is lower than 50%, and therefore no provisions were recognised.

Information on contingent liabilities for which provisions are recognised is presented in note 6.26.

6.32. Remuneration for Management Board and Supervisory Board members

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

Management Board remuneration

in PLN 000s	**01.01.2016 31.12.2016**	**01.01.2015 31.12.2015**
Robert Pydzik	24	24
Agnieszka Maliszewska	24	24
Management Board remuneration	**48**	**48**

Supervisory Board remuneration

in PLN 000s	**01.01.2016 31.12.2016**	**01.01.2015 31.12.2015**
Agnieszka Buchajska (until 30.06.2016)	15	30
Adam Buchajski	30	30
Tomasz Filipiak (until 17.02.2015)	-	4
Tomasz Dukała (until 30.06.2016)	15	30
Krzysztof Misiak	30	30
Robert Buchajski (until 12.11.2015)	-	20
Jakub Leonkiewicz (until 27.09.2016)	22	26
Maciej Węgorkiewicz (from 01.07.2016)	15	-
Joanna Grzelczak (from 28.09.2016)	8	-
Marcin Marczuk (from 28.09.2016)	8	-
Supervisory Board remuneration	**143**	**170**

6.33. Related-party transactions

Other related-party transactions

Other related-party transactions as defined in IAS 24

in PLN 000s	Transaction value during the period:		Outstanding balance as at	
Sale of products and services	**01.01.2016 31.12.2016**	**01.01.2015 31.12.2015**	**31.12.2016**	**31.12.2015**
TBS "Nasz Dom" Sp. z o.o.	*211*	*186*	*252*	*224*
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji	*21*	*27*	*21*	*18*
WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A.	*113*	*58*	*39*	*17*
WIKANA PROPERTY Sp. z o.o. LEGNICA S.K.A.	*45*	*45*	*58*	*32*
ZIELONE TARASY S.A.	*41*	*40*	*188*	*147*
MULTISERWIS S.A.	*2*	*39*	*8*	*6*
WIKANA PROJECT Sp. z o.o.	*59*	*68*	*72*	*13*
WIKANA MANAGEMENT Sp. z o.o.	*27*	*22*	*17*	*7*
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 02 S.K.A.	*15*	*15*	*14*	*12*
WIKANA PROPERTY Sp. z o.o. 03 MIASTECZKO S.K.A.	*69*	*103*	*109*	*40*
WIKANA PROPERTY Sp. z o.o. 04 OSIEDLE S.K.A.	*34*	*41*	*8*	*28*
BIOENERGIA PLUS Sp. z o.o.	*149*	*131*	*335*	*186*
BIOENERGIA PLUS Sp. z o.o. 01 S.K.A.	*14*	*12*	*49*	*35*
WIKANA PROPERTY Sp. z o.o. KOMERC Sp.k.	*177*	*150*	*84*	*31*
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 05 MARINA S.K.A.	*27*	*135*	*52*	*27*
WIKANA PROPERTY Sp. z o.o. ALBA S.K.A.	*75*	*58*	*15*	*13*
WIKANA PROPERTY Sp. z o.o.	*45*	*67*	*288*	*288*
WIKANA PRIM Sp. z o.o. BETA Sp.k.	*33*	*10*	*30*	*3*
WIKANA PROPERTY Sp. z o.o. DELTA S.K.A.	*42*	*68*	*30*	*11*
WIKANA PROPERTY Sp. z o.o. PODPROMIE S.K.A.	*10*	*10*	*17*	*7*
WIKANA PROPERTY Sp. z o.o. ZIELONE TARASY S.K.A.	*10*	*10*	*18*	*8*
WIKANA MERITUM Sp. z o.o. LAMDA S.K.A.	*85*	*1 584*	*30*	*1 584*
WIKANA MERITUM Sp. z o.o. PANORAMA Sp.k.	*5 354*	*1 180*	*5 187*	*6*
WIKANA PROPERTY Sp. z o.o. SALIX Sp.k.	*10*	*9*	*16*	*6*
WIKANA MERITUM Sp. z o.o. ALFA Sp.k.	*86*	*49*	*110*	*49*
WIKANA FORTEM Sp. z o.o. ACER Sp.k.	*69*	*29*	*34*	*9*

WIKANA PROPERTY Sp. z o.o. BETULA Sp.k.	*23*	*257*	*2 515*	*2 492*
WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A.	*227*	*132*	*180*	*33*
Wikana Property Sp. z o.o. ZETA S.K.A.	*-*	*4*	*-*	*-*
WIKANA MERITUM Sp. z o.o. SIGMA Sp.k.	*1 676*	*3 720*	*1 597*	*6*
WIKANA PROPERTY Sp. z o.o. ROSA Sp.k.	*75*	*1 757*	*34*	*1 749*
WIKANA PROPERTY Sp. z o.o. GAMMA Sp.k.	*10*	*10*	*2*	*2*
WIKANA PROPERTY Sp. z o.o. JOTA Sp.k.	*27*	*23*	*39*	*20*
WIKANA PROPERTY Sp. z o.o. KAPPA S.K.A.	*45*	*40*	*3 978*	*3 933*
WIKANA MERITUM Sp. z o.o. LARIX S.K.A.	*92*	*152*	*2 158*	*2 647*
WIKANA MERITUM Sp. z o.o. MAGNOLIA Sp.k.	*484*	*4 508*	*3 286*	*3 149*
WIKANA PROPERTY Sp. z o.o. OMEGA S.K.A.	*358*	*164*	*175*	*38*
WIKANA PROPERTY Sp. z o.o. OMIKRON S.K.A.	*41*	*53*	*50*	*9*
WIKANA MERITUM Sp. z o.o.	*10*	*10*	*20*	*10*
WIKANA PRIM Sp. z o.o.	*10*	*6*	*15*	*5*
Agnieszka Buchajska	*-*	*-*	*2*	*2*
Sale of products and services	**9 901**	**14 982**	**21 132**	**16 902**

in PLN 000s	**Transaction value during the period**		**Outstanding balance as at**	
Purchase of products and services	**01.01.2016 31.12.2016**	**01.01.2015 31.12.2015**	**31.12.2016**	**31.12.2015**
TBS "Nasz Dom" Sp. z o.o.	*1*	*112*	*-*	*-*
WIKANA PROJECT Sp. z o.o.		*1*		*-*
WIKANA MANAGEMENT Sp. z o.o.	*171*	*292*	*28*	*35*
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 02 S.K.A.	*-*	*-*	*-*	*642*
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 05 MARINA S.K.A.	*41*	*39*	*846*	*828*
WIKANA PROPERTY Sp. z o.o.	*72*	*87*	*14*	*6*
WIKANA PROPERTY Sp. z o.o. JOTA Sp.k.	*4*	*7*	*-*	*4*
WIKANA PROPERTY Sp. z o.o. KAPPA S.K.A.	*6*	*-*	*-*	*-*
WIKANA MERITUM Sp. z o.o. LARIX S.K.A.	*(138)*	*1945*	*-*	*723*
Agnieszka Buchajska	*211*	*-*	*-*	*-*
Purchase of products and services	**368**	**2 483**	**888**	**2 238**

	Outstanding balance as at	**Transaction value during the period**				**Outstanding balance as at**
Loans issued (principal and interest)	**31.12.2015**	**Issue**	**Repayment of principal**	**Accrual of interest**	**Repayment of interest**	**31.12.2016**

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

BIOENERGIA PLUS Sp. z o.o.	*4 437*	*-*	*-*	*147*	*-*	*4 584*
WIKANA PROPERTY Sp. z o.o. ALBA S.K.A.	*822*	*36*	*(218)*	*27*	*-*	*667*
BIOENERGIA PLUS Sp. z o.o. 01 S.K.A.	*152*	*-*	*-*	*4*	*-*	*156*
WIKANA PROPERTY Sp. z o.o.	*1 593*	*-*	*-*	*56*	*-*	*1 649*
WIKANA MANAGEMENT Sp. z o.o.	*394*	*-*	*(378)*	*-*	*(16)*	*-*
WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A.	*1*	*-*	*-*	*3*	*(4)*	*-*
WIKANA MERITUM Sp. z o.o. PANORAMA Sp.k.	*36*	*145*	*(3)*	*-*	*(33)*	*145*
WIKANA PROPERTY Sp. z o.o. KOMERC Sp.k.	*4 069*	*-*	*(283)*	*94*	*(90)*	*3 790*
WIKANA PROPERTY Sp. z o.o. LEGNICA S.K.A.	*4 229*	*-*	*(150)*	*140*	*-*	*4 219*
WIKANA PROPERTY Sp. z o.o. DELTA S.K.A.	*10*	*-*	*-*	*-*	*(10)*	*-*
WIKANA PROPERTY Sp. z o.o. Zielone Tarasy S.K.A.	*78*	*-*	*(6)*	*-*	*(3)*	*69*
ZIELONE TARASY S.A.	*314*	*-*	*-*	*11*	*-*	*325*
WIKANA NIERUCHOMOŚCI Sp. z o.o. 02 S.K.A	*11*	*-*	*(5)*	*--*	*(6)*	*-*
WIKANA PROPERTY Sp. z o.o. 03 MIASTECZKO S.K.A.	*1*	*-*	*-*	*-*	*-*	*1*
WIKANA PROPERTY Sp. z o.o. 04 OSIEDLE S.K.A.	*30*	*-*	*(23)*	*-*	*(7)*	*-*
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 05 MARINA S.K.A.	*5*	*-*	*-*	*-*	*-*	*5*
WIKANA PROPERTY Sp. z o.o. SALIX Sp.k.	*107*	*-*	*-*	*3*	*-*	*110*
WIKANA MERITUM Sp. z o.o. ALFA Sp.k.	*106*	*513*	*(60)*	*13*	*-*	*572*
WIKANA MERITUM Sp. z o.o. LAMDA S.K.A.	*5 445*	*-*	*(4 997)*	*102*	*(541)*	*9*
WIKANA MERITUM Sp. z o.o. LARIX S.K.A.	*138*	*-*	*(44)*	*4*	*-*	*98*
WIKANA MERITUM Sp. z o.o. MAGNOLIA Sp.k.	*12*	*52*	*(13)*	*1*	*-*	*52*
WIKANA PRIM Sp. z o.o. BETA Sp.k.	*30*	*1 384*	*(52)*	*6*	*-*	*1 368*
WIKANA PROPERTY Sp. z o.o. OMIKRON S.K.A.	*2*	*-*	*-*	*-*	*-*	*2*
WIKANA FORTEM Sp. z o.o.	*-*	*2*	*-*	*-*	*-*	*2*
WIKANA PROPERTY Sp. z o.o. JOTA Sp.k.	*-*	*650*	*-*	*3*	*-*	*653*
WIKANA PROPERTY Sp. z o.o. BETULA Sp.k.	*-*	*664*	*-*	*2*	*-*	*666*
WIKANA MERITUM Sp. z o.o. SIGMA Sp.k.	*-*	*74*	*-*	*-*	*-*	*74*
WIKANA PROPERTY Sp. z o.o. ROSA Sp.k.	*-*	*560*	*(200)*	*2*	*-*	*362*
Loans issued (principal and interest)	**22 020**	**4 080**	**(6 432)**	**618**	**(710)**	**19 578**

in PLN 000s	**Outstanding balance as at**	**Transaction value during the period**	**Outstanding balance as at**

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

Loans received (principal and interest)	**31.12.2015**	**Incurred**	**Repayment of principal**	**Accrual of interest**	**Repayment of interest**	**31.12.2016**
WIKANA PROJECT Sp. z o.o.	*-*	*84*	*(3)*	*4*	*-*	*85*
WIKANA MANAGEMENT Sp. z o.o.	*-*	*43*	*(43)*	*-*	*-*	*-*
WIKANA PROPERTY Sp. z o.o. LEGNICA S.K.A.	*19*	*-*	*-*	*-*	*(19)*	*-*
WIKANA PROPERTY Sp. z o.o. ALBA S.K.A.	*2*	*-*	*-*	*-*	*(2)*	*-*
WIKANA PROPERTY Sp. z o.o. 04 OSIEDLE S.K.A.	*56*	*105*	*(18)*	*5*	*-*	*147*
WIKANA PROPERTY Sp. z o.o. 03 MIASTECZKO S.K.A.	*149*	*620*	*(25)*	*28*	*-*	*772*
WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A.	*992*	*2 028*	*(2 712)*	*18*	*-*	*326*
WIKANA PRIM Sp. z o.o. BETA S.K.A.	*5*	*-*	*-*	*-*	*(5)*	*-*
WIKANA PROPERTY Sp. z o.o. DELTA S.K.A.	*10*	*127*	*(12)*	*4*	*-*	*129*
WIKANA PROPERTY Sp. z o.o. SALIX Sp.k.	*66*	*-*	*-*	*3*	*-*	*69*
WIKANA PROPERTY Sp. z o.o. BETULA Sp.k.	*1*	*-*	*-*	*-*	*(1)*	*-*
WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A.	*5 333*	*14 648*	*(635)*	*972*	*-*	*20 319*
WIKANA FORTEM Sp. z o.o. ACER Sp.k.	*1 389*	*79*	*(64)*	*54*	*-*	*1 457*
WIKANA PROPERTY Sp. z o.o. GAMMA Sp.k.	*34*	*-*	*(10)*	*3*	*-*	*27*
WIKANA PROPERTY Sp. z o.o. KAPPA S.K.A.	*2*	*-*	*-*	*-*	*-*	*2*
WIKANA PROPERTY Sp. z o.o. PANORAMA Sp.k.	*-*	*14*	*(14)*	*-*	*-*	*-*
WIKANA PROPERTY Sp. z o.o. ROSA Sp. k.	*4*	*-*	*(4)*	*-*	*-*	*-*
WIKANA MERITUM Sp. z o.o. MAGNOLIA Sp.k.	*1*	*81*	*(81)*	*1*	*(2)*	*-*
WIKANA MERITUM Sp. z o.o. SIGMA Sp.k.	*47*	*-*	*(42)*	*-*	*(5)*	*-*
WIKANA PROPERTY Sp. z o.o. OMEGA S.K.A.	*5 079*	*2 374*	*(5 543)*	*209*	*-*	*2 119*
Agnieszka Buchajska	*361*	*-*	*-*	*23*	*-*	*384*
Adam Buchajski	*43*	*-*	*-*	*-*	*-*	*43*
Sanwil Holding S.A.	*1 207*	*-*	*-*	*77*	*-*	*1 284*
Palametra Holdings Limited (formerly: Renale Management Limited)	*3 362*	*211*	*(19)*	*15*	*-*	*3 569*
Palametra Holdings Limited (formerly: Ipnihome Limited)	*1 256*	*79*	*(15)*	*5*	*-*	*1 325*
AGIO RB FIZ	*456*	*-*	*(140)*	*10*	*(326)*	*-*
Loans received (principal and interest)	**19 874**	**20 493**	**(9 380)**	**1 431**	**(360)**	**32 057**

6.34. Subsidiaries

Parent

WIKANA S.A.

Subsidiaries	% share 31.12.2016	31.12.2015
WIKANA FORTEM Sp. z o.o.	100%	0%
WIKANA FORTEM Sp. z o.o. ACER Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. ACER S.K., formerly: WIKANA PROPERTY Sp. z o.o. ACER S.K.A.)(1)	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., formerly: WIKANA PROPERTY Sp. z o.o. ALFA S.K.A.)(1)	100%	100%
WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. CORYLUS S.K.A.)(3)	100%	100%
WIKANA MERITUM Sp. z o.o. LAMDA S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. LAMDA S.K.A.)(3)	100%	100%
WIKANA MERITUM Sp. z o.o. LARIX S.K.A. (formerly: WIKANA PROPERTY Sp. z o.o. LARIX S.K.A.)(3)	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.)(2)	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.)(2)	100%	100%
WIKANA MERITUM Sp. z o.o. SIGMA Sp.k. (formerly: WIKANA MERITUM Sp. z o.o. SIGMA S.K.A. previously: WIKANA PROPERTY Sp. z o.o. SIGMA S.K.A.)(2)	100%	100%
WIKANA PROPERTY Sp. z o.o.(4)	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.)(5)	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.)(5)	100%	100%
WIKANA PROPERTY Sp. z o.o. ALBA S.K.A. (formerly: Wikana Nieruchomości Sp. z o.o. ALFA S.K.A.)(5)	100%	100%
WIKANA PROPERTY Sp. z o.o. DELTA S.K.A.(6)	100%	100%
WIKANA PROPERTY Sp. z o.o. BETULA Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. BETULA S.K.A.)(5)	100%	100%
WIKANA PROPERTY Sp. z o.o. GAMMA Sp.k. (former: WIKANA PROPERTY Sp. z o.o. GAMMA S.K.A.)(5)	100%	100%
WIKANA PROPERTY Sp. z o.o. JOTA Sp.k., formerly: WIKANA PROPERTY Sp. z o.o. JOTA S.K.A.)(5)	100%	100%
WIKANA PROPERTY Sp. z o.o. KAPPA S.K.A.(5)	100%	100%
WIKANA PROPERTY Sp. z o.o. KOMERC Sp.k.(5) (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.(5) (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.)(5)	100%	100%
WIKANA PROPERTY Sp. z o.o. OMEGA S.K.A.(5)	100%	100%
WIKANA PROPERTY Sp. z o.o. OMIKRON S.K.A.(5)	100%	100%
WIKANA PROPERTY Sp. z o.o. PODPROMIE S.K.A.(5)	100%	100%
WIKANA PROPERTY Sp. z o.o. ROSA Sp.k. (formerly: WIKANA PROPERTY Sp. z o.o. ROSA S.K.A.)(5)	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.)(5)	100%	100%
WIKANA PROPERTY Sp. z o.o. ZIELONE TARASY S.K.A.(5)	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.)(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., previously: Wikana Nieruchomości Sp. z o.o. 02 S.K.A.)(8)	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., previously: Wikana Nieruchomości Sp. z o.o. 05 MARINA S.K.A.)(8)	100%	100%
WIKANA PROJECT Sp. z o.o.	100%	100%
WIKANA MANAGEMENT Sp. z o.o.	100%	100%
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.)(9)	100%	100%
ZIELONE TARASY S.A.	100%	100%
Multiserwis S.A. w likwidacji(10)	94%	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 PROPERTY Sp. z o.o. LEGNICA S.K.A. (formerly Wikana Nieruchomości Sp. z o.o. LEGNICA S.K.A.)
(5) The company's general partner is WIKANA PROPERTY Sp. z o.o., a wholly owned subsidiary of the Company, including directly and indirectly.
(6) Indirect stake held by the Company via WIKANA PROJECT Sp. z o.o., a wholly owned subsidiary of the Company. The company's general partner is WIKANA PROPERTY Sp. z o.o., a wholly owned subsidiary of the Company.
(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) The company's general partner is Wikana Nieruchomości Sp. z o.o. w likwidacji, an entity 100% owned by Wikana S.A.

(9) 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.
(10) The Company holds a total of 94.38% of shares in Multiserwis S.A. w likwidacji, including 86.80% directly and 7.58% through Wikana Property Sp. z o.o. Delta S.K.A., an entity wholly owned by Wikana Project Sp. z o.o., which is wholly owned by WIKANA S.A.

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 2016: EURPLN 4.4240 (31 December 2015: EURPLN 4.2615)

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 2016: EURPLN 4.3757 (2015: EURPLN 4.1848).

Selected asset and equity and liability items

Balance sheet item *in 000s*	**31.12.2016**		**31.12.2015**	
	PLN	**EUR**	**PLN**	**EUR**
Total assets	**80 751**	**18 253**	**83 961**	**19 702**
Non-current assets	39 369	8 899	41 016	9 625
Current assets	41 382	9 354	42 945	10 077
Total equity and liabilities	**80 751**	**18 253**	**83 961**	**19 702**
Equity	35 149	7 945	38 051	8 929
Non-current liabilities	28 435	6 428	23 739	5 571
Current liabilities	17 167	3 880	22 171	5 203

Selected items from the statement of comprehensive income

Item in the Company's statement of comprehensive income *in 000s*	**01.01.2016 31.12.2016**		**01.01.2015 31.12.2015**	
	PLN	**EUR**	**PLN**	**EUR**
Revenue from sales	8 026	1 834	16 513	3 946
Gross profit (loss) on sales	1 093	250	(2)	(0)
Operating profit (loss)	688	157	(38)	(9)
Profit (loss) before tax	(3 048)	(697)	(3 159)	(755)
Net profit / (loss) on continuing operations	(3 048)	(697)	(3 159)	(755)
Net profit (loss)	(3 048)	(697)	(3 159)	(755)
Total comprehensive income	**(2 902)**	**(663)**	**(2 801)**	**(669)**
Profit (loss) per share				
Basic profit (loss) per share	(0.15)	(0.03)	(0.16)	(0.04)
Diluted profit (loss) (PLN)	(0.15)	(0.03)	(0.16)	(0.04)

Selected items from the statement of cash flows

Item in the condensed consolidated interim statement of cash flows *in 000s*	**01.01.2016 31.12.2016**		**01.01.2015 31.12.2015**	
	PLN	**EUR**	**PLN**	**EUR**
Net cash from operating activities	(2 100)	(480)	(7 217)	(1 725)
Net cash from investing activities	2 707	619	9 460	2 261
Net cash from financing activities	(719)	(164)	(2 170)	(519)
Total cash flows	**(112)**	**(25)**	**73**	**17**

6.36. Significant information about the Company's activities in the period 1 January - 31 December 2016 and until the date on which these financial statements were drafted

Aside from the significant atypical events during the reporting period, which have impact on the financial statements, as described in note 5.7 to these financial statements, the following events that took place in financial year 2016 and until these financial statements were prepared are considered by the Company to be of significance:

- resignation of Agnieszka Buchajska from the Company's Supervisory Board (current report 37/2016),
- appointment of Maciej Węgorkiewicz to the Company's Supervisory Board (current report 38/2016),
- resignation of Tomasz Dukała from the Company's Supervisory Board (current report 39/2016),
- resignation of Jakub Leonkiewicz from the Company's Supervisory Board (current report 51/2016),
- appointment of Joanna Grzelczak to the Company's Supervisory Board (current reports 52/2016 and 53/2016),
- appointment of Marcin Marczuk to the Company's Supervisory Board (current reports 52/2016 and 53/2016),

6.37. Remuneration of the entity authorised to audit financial statements

On 11 June 2015, 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. 3355, held by the National Council of Statutory Auditors.

An agreement concerning audit was executed with BDO Sp. z o.o. on 15 June 2015. Fees for auditing Wikana S.A.'s separate financial statements for 2016 amount to PLN 43 500 (semi-annual review PLN 14 500, annual audit PLN 29 000).

Robert Pydzik
/President of the Management Board/

Agnieszka Maliszewska
/Member of the Management Board/

Bożena Wincentowicz
/Person responsible for bookkeeping/

Lublin, 31 March 2017