LC CORP CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2007
WITH AN INDEPENDENT AUDITOR'S REPORT ON THE REVIEW

CONSOLIDATED BALANCE SHEET
as at December 31st 2007 (in PLN '000)

	Note	December 31st 2007	December 31st 2006
Assets			
A. Non-current assets		**562,496**	**279,510**
1. Intangible assets	15	447	6
2. Property, plant and equipment	14	68,122	277,089
2.1. Tangible assets		1,584	25,161
2.2. Tangible assets under construction		66,538	251,928
3. Non-current receivables		0	0
4. Investment property	17	489,373	0
5. Non-current prepayments and accrued income	21	1,811	429
6. Deferred tax assets	12.3	2,743	1,986
B. Current assets		**974,483**	**221,173**
1. Inventories	19	674,665	152,564
2. Trade and other receivables	20	77,925	10,735
3. Income tax receivable		164	122
4. Cash and cash equivalents	22	220,708	57,426
5. Current prepayments and accrued income	21	1,021	326
C. Non-current assets classified as held for sale		**0**	**10,108**
Total assets		**1,536,979**	**510,791**
Equity and liabilities			
A. Equity		**897,570**	**290,877**
1. Share capital	24.1	446,558	149,125
2. Balance of called-up share capital not paid		0	0
3. Reserve funds	24.2	302,659	9,698
4. Other reserve funds	24.3	39,771	39,771
5. Other capital	24.4	3,108	102,000
6. Retained profit / Uncovered losses		105,474	(9,717)
B. Non-current liabilities		**350,102**	**152,653**
1. Non-current financial liabilities	25	304,884	143,300
2. Non-current trade and other payables	27.1	7,923	0
2. Provisions	26	26	24
3. Deferred tax liability	12.3	37,269	9,329
C. Current liabilities		**289,307**	**67,261**
1. Current financial liabilities	25	171,137	36,759
2. Trade and other payables	27.1	29,721	24,431
3. Income tax payable		0	0
4. Provisions	26	4,861	2
5. Accrued expenses and revenue	28	83,588	6,069
Total equity and liabilities		**1,536,979**	**510,791**

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for year ended December 31st 2007 (in PLN '000)

	Note	Year ended December 31st 2007	Year ended December 31st 2006
Operating activity			
Sales revenue		**34,390**	**5,955**
Revenue on sales of services	11.1	34,390	5,955
Cost of sales	11.2	(14,652)	(3,415)
Pre-tax profit on sales		**19,738**	**2,540**
Gain (loss) on disposal of non-current non-financial assets		(37)	411
Revaluation of non-current non-financial assets	17	124,741	(509)
Selling and distribution costs		0	0
General administrative expenses	11.2	(17,626)	(7,378)
Other operating income	11.5	11,684	336
Other operating expenses	11.6	(17,099)	(131)
Operating profit (loss)		**121,401**	**(4,731)**
Financial income	11.7	23,519	2,966
Financial expenses	11.8	(11,229)	(4,605)
Pre-tax profit (loss)		**133,691**	**(6,370)**
Corporate income tax	12.1	(27,189)	856
Net profit on business activities		**106,502**	**(5,514)**
Discontinued operations			
Profit (loss) on discontinued operations for the business year		0	0
Net profit (loss)		**106,502**	**(5,514)**

Profit (loss) per share			
- basic from profit for financial year in PLN	13	**0,27**	**0,08**
- diluted from profit for financial year in PLN		**0,27**	**-**

CONSOLIDATED CASH-FLOW STATEMENT
for year ended December 31st 2007 (in PLN '000)

	Note	Year ended December 31st 2007	Year ended December 31st 2006
A. Cash flows from operating activities			
I. Pre-tax loss		**133,691**	**(6,370)**
II. Total adjustments		**(587,240)**	**(91,559)**
1. Depreciation and amortization		2,351	755
2. Foreign exchange gains (losses)		(14,565)	(2,589)
3. Interest and distributions from profit (dividends)		14,271	4,176
4. Profit (loss) on investing activities		37	(407)
5. Change in provisions		4,861	26
6. Change in inventories		(522,101)	(152,564)
7. Change in receivables		(67,190)	(6,557)
8. Change in current liabilities (net of loans and borrowings)		13,213	12,244
9. Change in accruals and deferrals		75,442	4,697
10. Corporate income tax		(49)	(160)
11. Other adjustments	23.1	(93,510)	48,820
III. Net cash provided by (used in) operating activities (I±II)		**(453,549)**	**(97,929)**
B. Cash flows from investing activities			
I. Cash provided by investing activities		**32,256**	**5,391**
1. Sale of intangible assets and property, plant and equipment		32,256	5,391
2. Sale of investment property		0	0
3. Cash provided by financial assets		0	0
4. Other cash provided by investing activities		0	0
II. Cash used in investing activities		**(172,757)**	**(204,326)**
1. Acquisition of intangible assets and property, plant and equipment		(114,255)	(204,326)
2. Investment property		0	0
3. Cash used on financial assets	23.2	(58,502)	0
4. Other cash used in investing activities		0	0
III. Net cash provided by (used in) investing activities (I–II))		**(140,501)**	**(198,935)**
C. Cash flows from financing activities			
I. Cash provided by financing activities		**1,041,602**	**454,565**
1. Net proceeds from issue of shares and additional contributions to equity		508,933	176,000
2. Increase in loans and borrowings		335,049	148,565
3. Issue of debt securities		197,620	130,000
4. Other cash provided by financing activities		0	0
II. Cash used in financing activities		**(284,225)**	**(101,400)**
1. Repayment of loans and borrowings		(148,646)	(6,400)
2. Redemption of debt securities		(111,171)	(91,000)
3. Interest paid		(12,558)	(2,693)

(in PLN '000)

4. Other cash used in financing activities		(11,850)	(1,307)
III. Net cash provided by (used in) financing activities (I–II)		**757,377**	**353,165**
D. Total net cash flow (A.III±B.III±C.III)		163,327	56,301
E. Balance-sheet change in cash, including:		163,327	56,301
– change in cash resulting from foreign exchange		(45)	0
F. Cash at beginning of period		**57,426**	**1,125**
G. Cash at end of period (F±D)	22	**220,708**	**57,426**
- restricted cash (**)		**20**	**0**

CHANGES IN CONSOLIDATED EQUITY
for year ended December 31st 2007 (in PLN '000)

	Capital allocated to the shareholders of the parent undertaking							*Minority interest*	***Total equity***
	Issued share capital	*Balance of called-up share capital not paid*	*Reserve funds*	*Other reserve funds*	*Other capital*	*Retained profit / Uncovered losses*	*Total*		
As at January 1st 2007	**149,125**	**0**	**9,698**	**39,771**	**102,000**	**(9,717)**	**290,877**	**0**	**290,877**
Registration of series F shares	102,000	0	0	0	(102,000)	0	0	0	0
Issue of series G shares	80,000	0	0	0	0	0	80,000	0	80,000
Issue of series H shares	58,433	0	0	0	0	0	58,433	0	58,433
Issue of series J shares	57,000	0	313,500	0	0	0	370,500	0	370,500
Costs of issue of series G shares	0	0	(415)	0	0	0	(415)	0	(415)
Costs of issue of series H shares	0	0	(307)	0	0	0	(307)	0	(307)
Costs of issue of series J shares	0	0	(11,128)	0	0	0	(11,128)	0	(11,128)
Coverage of losses for 2006 and from previous years acc. to Polish Accounting Standards	0	0	(8,689)	0	0	8,689	(0)	0	(0)
Capital from valuation of management options	0	0	0	0	3,108	0	3,108	0	3,108
Profit in 2007	0	0	0	0	0	106,502	106,502	0	106,502
As at December 31st 2007	**446,558**	**0**	**302,659**	**39,771**	**3,108**	**105,474**	**897,570**	**0**	**897,570**

(in PLN '000)

	Capital allocated to the shareholders of the parent undertaking							*Minority interest*	***Total equity***
	Issued share capital	*Balance of called-up share capital not paid*	*Reserve funds*	*Other reserve funds*	*Other capital*	*Retained profit / Uncovered losses*	*Total*		
As at January 1st 2006	**113,700**	**(45,000)**	**17,656**	**0**	**0**	**(4,429)**	**81,927**	**0**	**81,927**
Change of the parent undertaking in the group	(113,700)	45,000	0	0	0	0	(68,700)	0	(68,700)
Issue of series A shares	500	0	0	0	0	0	500	0	500
Issue of series B shares	113,700	0	7,952	0	0	0	121,652	0	121,652
Issue of series C shares	1,453	0	0	0	0	0	1,453	0	1,453
Issue of series D shares	1,472	0	0	0	0	0	1,472	0	1,472
Issue of series E shares	32,000	0	0	0	0	0	32,000	0	32,000
Issue of series F shares (as at December 31st 2006 not registered in the National Court Register)	0	0	0	0	102,000	0	102,000	0	102,000
Costs of share issues	0	0	(1,307)	0	0	0	(1,307)	0	(1,307)
Contribution connected with acquiring an asset	0	0	0	39,771	0	0	39,771	0	39,771
Impact of merging of subsidiary undertakings	0	0	(14,377)	0	0	0	(14,377)	0	(14,377)
Coverage of losses for 2005	0	0	(226)	0		226	0		0
Loss in 2006	0	0	0	0	0	(5,514)	(5,514)	0	(5,514)
As at December 31st 2006	**149,125**	**0**	**9,698**	**39,771**	**102,000**	**(9,717)**	**290,877**	**0**	**290,877**

(in PLN '000)

ACCOUNTING RULES (POLICIES) AND ADDITIONAL EXPLANATORY NOTES

1. General information

LC Corp Capital Group (the "Group") consists of LC Corp S.A. and its subsidiary companies (see Note 2). The Group's consolidated financial statements cover the year ended December 31st 2007 and contain comparable data for the year ended December 31st 2006 and as at December 31st 2006.

LC Corp S.A. ("the Parent Undertaking", "the Company") was established by virtue of the Notarial Deed dated March 3rd 2006. The Parent Undertaking's registered office is situated in Wrocław, Poland, in ul. Powstańców Śląskich 2-4. The Parent Undertaking is entered in the Business Register of the National Court Register maintained by the District Court for Wrocław-Krzyki in Wrocław, 4th Commercial Section of the National Court Register, under KRS No. 0000253077.

The Company was assigned statistical identification number REGON 020246398.

The Parent Undertaking and the subsidiaries of the Capital Group were established for an indefinite period. The Parent Undertaking's primary activity is:

- PKD 7415Z Management activities of holding companies
- PKD 7020Z Letting of own property
- PKD 7011Z Development and selling of real estate
- PKD 7012Z Buying and selling of own real estate
- PKD 4521A General construction of buildings and civil engineering works

The Parent Undertaking of LC Corp S.A. and the whole group is LC Corp B.V., which is controlled by Leszek Czarnecki.

2. The organization of LC Corp Capital Group

As at December 31st 2007 and as at December 31st 2006 LC Corp Capital Group comprises the following subsidiaries of LC Corp S.A.:

		December 31st 2007	December 31st 2006
Company name	**Registered office**	**Share in capital**	**Share in capital**
Arkady Wrocławskie S.A	Wrocław	100%	100%
LC Corp Sky Tower sp. z o.o (formerly Wrocław Nieruchomości sp. z o.o.) (a)	Wrocław	99.998%	99.997%
Katowice Ceglana sp. z o.o. (formerly Warszawa Nieruchomości sp. z o.o.) (b)	Wrocław	99.997%	99.993%
JML S.A.	Warszawa	0%	51%
Vratislavia Residence sp. z o.o.	Wrocław	100%	0%
Łódź Residence sp. z o.o.	Wrocław	100%	0%
LC Corp Pustynna sp. z o.o.	Wrocław	100%	0%

(in PLN '000)

LC Corp Stabłowice sp. z o.o.	Wrocław	100%	0%
Gdańsk Residence sp. z o.o.	Wrocław	100%	0%
Warszawa Projekt V sp. z o.o.	Wrocław	100%	0%
Warszawa Przy Promenadzie sp. z o.o. (formerly Europlan Projekt Gocław sp. z o.o.) (c)	Wrocław (formerly Warszawa)	100%	0%
Warszawa Przy Promenadzie sp. z o.o. sp. k. (formerly Europlan Projekt Gocław sp. z o.o. sp. k.) (d)	Wrocław (formerly Warszawa)	100% (indirectly and directly)	0%
Warszawa Przyokopowa sp. z o.o. (formerly Europlan Projekt II sp. z o.o.) (e)	Wrocław (formerly Warszawa)	100%	0%
Warszawa Rezydencja Kaliska sp. z o.o. (formerly Europlan Projekt III sp. z o.o.) (f)	Wrocław (formerly Warszawa)	100%	0%
Kraków Zielony Złocień sp. z o.o. (formerly Europlan Projekt IV sp. z o.o.) (g)	Wrocław (formerly Warszawa)	100%	0%

(a) LC Corp Sky Tower sp. z o.o. - seated in Wrocław (until September 19th 2007 operating as Wrocław Nieruchomości sp. z o.o. seated in Wrocław),

(b) Katowice Ceglana sp. z o.o. - seated in Wrocław (until January 10th 2008 operating as Warszawa Nieruchomości sp. z o.o. seated in Wrocław),

(c) Warszawa Przy Promenadzie sp. z o.o. - seated in Wrocław (until December 20th 2007 operating as Europlan Projekt Gocław sp. z o.o. seated in Warsaw),

(d) Warszawa Przy Promenadzie sp. z o.o. sp.k. - seated in Wrocław (until February 11th 2008 operating as Europlan Projekt Gocław sp. z o.o. sp. k. seated in Warsaw),

(e) Warszawa Przyokopowa sp. z o.o. - seated in Wrocław (until January 17th 2008 operating as Europlan Projekt II sp. z o.o. seated in Warsaw),

(f) Warszawa Rezydencja Kaliska sp. z o.o. - seated in Wrocław (until January 15th 2008 operating as Europlan Projekt III sp. z o.o. seated in Warsaw).

(g) Kraków Zielony Złocień sp. z o.o. - seated in Wrocław (until January 14th 2008 operating as Europlan Projekt IV sp. z o.o. seated in Warsaw),

As at December 31st 2007 and December 31st 2006, the Parent Undertaking's share in the total vote in subsidiary entities equals its share in the share capital of these entities.

3. Composition of the Management Board of the Parent Undertaking

As at December 31st 2007, the Management Board of LC Corp comprised:

- President - Konrad Dubelski,
- Vice-President - Waldemar Horbacki
- Vice-President - Dariusz Karwacki

The composition of the Company's Management Board changed during the reporting year.

As at January 1st 2007, the Management Board comprised:

- President - Konrad Dubelski
- Vice-President - Małgorzata Danek
- First Vice-President - Rafał Gulka
- Vice-President - Waldemar Horbacki

As at January 23rd 2007, Ms Małgorzata Danek was dismissed from the Management Board by a resolution of the Supervisory Board.

By a resolution of the Supervisory Board dated February 28th 2007, Mr. Dariusz Karwacki, acting Vice-President of the Management Board, was appointed member of the Management Board, beginning from May 7th 2007. By a resolution of the Supervisory Board dated May 11th 2007, Mr. Artur Kozieja, acting Vice-President of the Management Board, was appointed member of the Management Board beginning from May 15th 2007.

As at August 6th 2007 Mr. Rafał Gulka resigned from his function of a Member of the Management Board of the Parent Undertaking.

As at September 28th 2007 Mr. Artur Kozieja resigned from his function of a Vice-President of the Management Board.

4. Approval of the financial statements

These consolidated financial statements were approved for publication by the Management Board on April 4th 2008.

5. Significant values based on professional judgement and estimates

The Board of the Parent Undertaking used their best knowledge of applied standards and interpretations, and also the methods and principles of valuation of particular items of the enclosed consolidated financial statements. Preparing the financial statements in accordance with IFRS required from the Company Board to make some assessments and assumptions which will be reflected in the statement. The actual results may vary from these assessments.

Below are discussed the basic assumptions concerning the future and other key sources of uncertainty occurring as at balance-sheet day, with which there is a significant risk of a substantial adjustment of balance-sheet assets and liabilities in the next financial year.

Deferred tax asset

The Group recognizes a deferred tax asset based on the assumption that, in the future, tax profit is to be obtained enabling its utilization. Worsening of tax results attained could cause that this assumption might become illegitimate in the future.

Valuation of provisions

Provisions for employee benefits (retirement and disability retirement benefits) are assessed by an independent actuary and are updated at the end of each financial year.

Fair value of investment properties

Fair value of the investment properties was established with the income method, using the investment method by an independent professional property valuer.

6. Basis for the preparation of the consolidated financial statements

The consolidated financial statements cover the year ended December 31st 2007 and contain data comparable to the year ended December 31st 2006 and as at December 31st 2006.

The consolidated financial statements are presented in thousand zloty ('PLN'), and all values, if not indicated otherwise, are given in PLN '000.

The consolidated financial statements were prepared on the assumption of a continuation of the business activity by the Group companies in the foreseeable future. As at the day of approval of these consolidated financial statements, there are no circumstances identified implying any threats for continuation of the Group companies' activity.

6.1. Declaration of compliance

The enclosed consolidated financial statements of LC Corp Capital Group were prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Standards and relevant interpretations issued in the form of directives by the European Commission.

As at the day of approval of these statements for publication, taking into account the process of introducing IFRS standards, currently in progress in the EU, and the Group's activity, there are no differences between IFRS standards which have come into force and IFRS standards adopted by the EU within the accounting principles used by the Group

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

6.2. Currency of the measurement and currency of the financial statements

The currency of the measurement of the Parent Undertaking and the currency of these consolidated financial statements is Polish zloty.

7. Changes in accounting rules

Below are presented new or changed IFRS and new IFRIC interpretations, which the Group used in the current year. Their adoption, apart from several additional disclosures, had no bearing on the Group's EBIT, or its financial situation.

IAS 1 *Presentation of financial statements – Disclosures concerning capital*

The Group adopted the changed IAS 1 regulations. New disclosures were presented in Note 32 *Capital Management*.

IFRS 7 *Financial instruments: disclosures*

The Group adopted IFRS 7. The most important principles were introduced to Note 30 *Aims and Principles of Financial Risk Management*.

IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*

The Group adopted interpretation IFRIC 7. Applying this interpretation has no bearing on the Group's financial statements.

IFRIC 8 *Scope of IFRS 2*

The Group adopted interpretation IFRIC 8, which resulted in changing some accounting rules. The Group reviewed transactions under which shares or options for shares were issued (or the Group has liability based on the value of these equity instruments) as payment for goods or services received and concluded. The Group appropriately disclosed these transactions in the account books.

IFRIC 9 Reassessment of Embedded Derivatives

The Group adopted IFRIC 9 interpretation. This interpretation states that the assessment that a given contract contains an embedded derivative is made at the time of entering into the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows. Application of this interpretation had little bearing on the way of recognizing embedded derivatives owned by the Group.

IFRIC 10 Interim Financial Reporting and Impairment

The Group adopted IFRIC 10 interpretation. This interpretation states that an entity shall not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. Applying this interpretation had little bearing on these financial statements.

8. New standards and interpretations, which were published but have not become effective yet

The following standards and interpretations were issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee, but have not become effective yet:

- IFRS 8 *Operating Segments* – applying to annual periods beginning after January 1st 2009,
- IAS 1 *Presentation of Financial Statements* (amended in September 2007) – applying to annual periods beginning on or after January 1st 2009 – as at the day of approval of these financial statements – not approved by the EU,
- IAS 23 *Borrowing Costs (amended in March 2007)* - applying to annual periods beginning after January 1st 2009 – as at the day of approval of these financial statements – not approved by the EU,
- IFRIC Interpretation 11 *Group and Treasury Share Transactions* - applying to annual periods beginning after March 1st 2007.
- IFRIC Interpretation 12 *Service Concession Arrangements* - applying to annual periods beginning after January 1st 2008 – as at the day of approval of these financial statements – not approved by the EU,
- IFRIC Interpretation 13 *Customer Loyalty Programmes* - applying to annual periods beginning after July 1st 2008 – as at the day of approval of these financial statements – not approved by the EU,
- IFRIC Interpretation 14 IAS 19 - *Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* - applying to annual periods beginning after July 1st 2008 – as at the day of approval of these financial statements – not approved by the EU,
- IFRS 3 *Business Combinations* (amended in January 2008) – applying to annual periods beginning after January 1st 2009 – as at the day of approval of these financial statements – not approved by the EU,

- IAS 27 *Consolidated and Separate Financial Statements* (amended in September 2007) – applying to annual periods beginning on or after January 1st 2009 – as at the day of approval of these financial statements – not approved by the EU,
- IFRS 2 *Share-based Payment, Vesting Conditions and Cancellations* (amended in January 2008) – applying to annual periods beginning after January 1st 2009 – as at the day of approval of these financial statements – not approved by the EU
- Amendments to IAS 32 and IAS 1: *Financial Instruments Puttable at Fair Value* (amended in February 2008) – applying to annual periods beginning on or after January 1st 2009 – as at the day of approval of these financial statements – not approved by the EU.

Adoption of the above-mentioned amendments to accounting standards and new interpretations in future reporting periods would have little bearing on the Group's accounting policy (rules).

9. Significant accounting principles

9.1. Consolidation rules

The consolidated financial statements are composed of financial statements of LC Corp S.A. and all subsidiary undertakings controlled by LC Corp S.A. prepared for the year ended December 31st 2007. The financial statements of the subsidiary undertakings are prepared for the same reporting period as the financial statements of the Parent Undertaking, for the period from their setup (if they were set up in 2007) until December 31st 2007, by adopting coherent accounting principles based on uniform accounting principles applied to transactions and economic events of similar character

In order to eliminate any discrepancies in the applied accounting principles, adjustments are introduced.

All significant balances and transactions between the Group's entities, including unrealized gains resulting from transactions within the Group, are eliminated. Unrealized losses are eliminated, unless they prove the occurrence of a loss of value.

The subsidiary undertakings are subject to consolidation in the period from the day of taking control over them by the Group, and stop being consolidated from the day the control stops. Exercising control by the Parent Undertaking takes place when it holds directly or indirectly, through its subsidiary undertakings, more than half the vote in a given entity, unless it can be proved that this shareholding is not tantamount to exercising control. Exercising control also takes place when the Company is able to influence the financial and operating policy of a given entity.

9.2. Non-current assets

Non-current assets include:

- land (including the right of perpetual usufruct) which is not investment property or investment property under construction,
- buildings which are not investment property (including cooperative ownership right to premises, ownership right to premises),
- civil engineering facilities,
- plant and equipment,
- means of transport,
- other objects

complete and in proper operating condition on receipt for use, of an expected period of use longer than a year, intended for own needs.

Right of perpetual usufruct of land can, at any time, be extended, on the user's application, and therefore it is disclosed in the financial statements in the same way as ownership right to land.

Property, plant and equipment are disclosed according to the acquisition/production cost less depreciation and impairment charges. The initial value of non-current assets includes their acquisition price increased by all costs directly related to their acquisition and restoring to proper operating condition. The cost also includes the cost of replacing components of the machines or devices at the time it is incurred, if the criteria of recognition are fulfilled. Costs incurred after the date of handing over the non-current asset to use, such as costs of maintenance and repair, charge the profit and loss account at the time they are incurred.

At the moment of their acquisition non-current assets are divided into components of significant value, to which a separate period of useful economic life can be assigned. The costs of complete overhauls are also a component.

Depreciation is calculated with the straight-line method for an assessed period of useful economic life of a given asset, lasting:

Type	**Period in years**
Machines and technical devices	5
Office equipment	2
Means of air transport	25
Other means of transport	5
Investments in third-party non-current assets	10 (or time-limit of the contract if shorter)
Computers	3

If there is any objective evidence that the balance-sheet value of property, plant and equipment may not be recoverable, the assets are reviewed for possible impairment. If any such evidence exists and the balance-sheet value exceeds the assessed recoverable value, the value of the assets or cash-generating centres which own the assets is decreased to the level of the recoverable value. The recoverable value corresponds to the higher of fair value less selling costs of the asset or its value in use, respectively. While assessing the value in use, the projected cash flows are discounted to their current value by applying a discount rate before allowing for taxation effects, which reflects the current market assessment of the value in cash and risk typical for a given asset. In the case of an asset which does not generate cash independently, the recoverable value is established for the cash-generating centre which owns the asset. Impairment allowances are disclosed in the profit and loss account.

A given item of property, plant and equipment can be removed from the balance sheet after its disposal or in the case when no economic advantages are expected resulting from the further use of such an item. All profits or losses resulting from removing a given item of non-current items from the balance sheet (calculated as a difference between potential net proceeds from sales and the balance-sheet value of a given item) are disclosed in the profit and loss account in the period during which such a removal was effected.

The final value, period of usage and method of depreciation of assets are verified and, if necessary – adjusted, from the beginning of the recently ended financial year.

During each overhaul, its cost is disclosed in the balance-sheet value of property, plant and equipment, if the criteria of disclosure are met.

9.3. Non-current assets under construction

Non-current assets under construction concern non-current assets being built or assembled and are disclosed according to the acquisition or production cost. Non-current assets under construction are not subject to depreciation by the time they are built and handed over to use.

Land and right of perpetual usufruct of land allotted for building non-current assets or investment property are disclosed as non-current assets under construction up to the time they are handed over to use.

9.4. Investment property

Investment property is defined as land, building or part of a building, which the company treats as a source of rental income or keeps on account of its increase in value. A condition of disclosure in this item of the balance sheet is:

- probability of obtaining economic profits by virtue of possessing the property,
- possibility of a credible establishment of the acquisition or production cost

The initial disclosure of investment property occurs at the acquisition price allowing for the transaction costs (among others, direct costs associated with finalizing rental agreements). The balance-sheet value of an asset includes the cost of replacing part of an investment property at the time it is incurred provided that the disclosure criteria are met and it does not include the cost of the current maintenance of the property. After the initial disclosure, investment property is disclosed at fair value. Profits or losses resulting from the changes of the fair value of investment property are disclosed in the profit and loss account in the period when they arose.

Investment property is removed from the balance sheet when it is disposed of or in the case of a permanent withdrawal of a given investment property from use, when no future advantages are expected from its disposal. All profits and losses resulting from the removal of an investment property from the balance sheet are disclosed in the profit and loss account in the period when the removal was effected.

Transfer of assets to investment property is made only when there is a change in the way of their use, confirmed by finishing the use of an asset by the owner, conclusion of a contract of operating lease, or completion of the construction/production of the investment property. However, if an asset is used by the owner - the Group, it becomes an investment property. The Group applies principles described in section 'Property, plant and equipment' up to the day of change in the way of using the property. In the case of transferring the assets from inventories to investment properties, the difference between the fair value of the property established at the day of transfer and its previous balance-sheet value is disclosed in the profit and loss account. When the Group completes the construction or production of an investment property, the difference between the fair value of the property established at the day of transfer and its previous balance-sheet value, is disclosed in the profit and loss account under Revaluation of non-current non-financial assets.

In the case of a transfer of an investment property to assets used by the owner, or to inventories, the supposed cost of such an asset, which will be accepted to be disclosed in another category, equals the fair value of the property established as at the day of change in its use.

Fair value is established by an independent valuer or based on an agreed model of capitalization of the investment.

9.5. Investment property under construction

Up to the time of completing the construction or production of investment properties, they are disclosed as "non-current assets under construction". In addition, the value of investment properties under construction includes the costs of commission for agents by virtue of effecting contracts of office space rental. These costs are then allowed for in the amount of reassessment of the investment properties they relate to.

9.6. Goodwill

Goodwill arising on an acquisition of a business entity represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less impairment losses, if any. Goodwill is tested annually for impairment. Goodwill is not depreciated.

As at the day of assuming control, the acquired goodwill is allocated to every cash-generating unit which may benefit from synergies resulting from the merger. The Company calculates any impairment of value by estimating recoverable value of the cash-generating unit relevant to a given part of goodwill. If the recoverable value of a cash-generating unit is lower than its balance-sheet value, the Company recognizes impairment losses. If goodwill comprises a part of a cash-generating unit and the Company sells a part of the business of the cash-generating unit, the goodwill connected with the sold business is included in the balance-sheet value of the sold business for the purpose of calculating gains or losses on disposal of the part of business. Goodwill sold in such circumstances is valued using the relative value of the sold business and the value of the retained part of the cash-generating unit.

9.7. Intangible assets

Intangible assets are the acquired assets having useful economic life on the day of receipt for use, such as:

- property rights, proprietary copyrights, licences, concessions, rights to: designs, inventions, patents, trademarks, decorative patterns and utility models,
- costs of development work with positive results,
- goodwill,
- know-how

of an expected useful life longer than one year, used for the needs of the conducted business activity or rented out, leased or given to use on the basis of a similar contract.

Intangible assets acquired in a separate transaction are initially stated at acquisition or production cost. Intangible assets acquired in a business combination are initially recognized at fair value as defined at the business combination date. After initial recognition, intangible assets are measured at acquisition or production cost less amortization and impairment allowances. Expenditures related to intangible assets produced on your own, except for activated expenditures incurred for development work, are not activated and are disclosed in the costs of the period when they were incurred.

The Group determines if the useful life of intangible assets is definite or indefinite. Intangible assets with a definite useful life are amortized over their economic useful life and tested for value impairment each time there are indications of the impairment of their value. The period and method of amortization of intangible assets with a definite useful life are verified at least at the end of each financial year. Changes in the expected useful life or expected method of consuming economic advantages coming from a given asset are disclosed by a change of the period or amortization method, respectively, and treated as changes of assessed values. Depreciation allowance of intangible assets with a definite useful life is charged in the profit and loss account in the category which corresponds to the function of a given intangible asset.

Intangible assets with indefinite useful lives and intangible assets which are not yet in use are tested for impairment once a year in relation to individual assets or at the level of the cash-generating unit. In the case of other intangible assets, it is checked if there are indications of impairment. Periods of use are also annually verified and, if necessary, adjusted effective from the beginning of the financial year.

Summary of the rules applied in relation to intangible assets of the Group is presented below:

	Patents and licences	Computer software and other
Period of use	Indefinite. For patents and licences used on the basis of agreement for a definite period, this period is assumed, taking into account an additional period for which the useful life may be extended.	2 years
Applied method	Values of an indefinite period of useful life are not amortized or revaluated.	Straight-line method

Produced or acquired	Acquired	Acquired
Tested for impairment / verification of recoverable amount	An indefinite period of useful life – annually or if there are indications of value impairment. For others – annual assessment if there are indications of value impairment.	Annual assessment if there are indications of impairment.

Profits or losses resulting from the removal of intangible assets from the balance sheet are valued according to the difference between net proceeds from sale and the balance-sheet value of a given asset and are disclosed in the profit and loss account at the time of their derecognition.

9.8. Recoverable Value of Non-Current Non-Financial Assets

At each balance-sheet date, the Group assesses whether there is any objective evidence that the assets are impaired. If any such evidence exists, the Group assesses the recoverable value of these assets. If the balance-sheet value of an asset exceeds its recoverable value, its value impairment is recognized and an impairment allowance is made to the established recoverable value. The recoverable value corresponds to the higher of fair value less selling costs of the asset or the value in use of an asset or a cash-generating unit.

9.9. Inventories

"Inventories" disclose expenditures incurred, concerning unsold flats intended for sale. Such expenditures include the right of perpetual usufruct of land or land, costs of building relating to works performed by subcontractors in connection with building flats, capitalized costs including the costs of external financing, costs of planning and design, mark-ups of administrative expenses directly connected with building, and other costs relating to building.

Initially, inventories are disclosed according to the production cost. After the initial disclosure, inventories are measured at the lower of acquisition/production cost and net realizable value.

9.10. Trade and other receivables

Trade and other receivables are valued and recognized at amounts initially invoiced, accounting for valuation allowances for uncollectible receivables. Valuation allowances for receivables are estimated when the collection of the full amount of receivables is no longer possible. Uncollectible receivables are deducted for the profit and loss account when their uncollectibility is stated.

If the effect of time value of money is significant, the value of receivables is determined by discounting the projected future cash flows to their present value using a pre-tax discount rate reflecting the current market estimates of the time value of money. If the discount method is applied, an increase in receivables over time is recognized as financial income.

9.11. Cash and cash equivalents

Cash and short-term deposits shown in the balance sheet comprise cash on hand and in a bank account, and short-term deposits of initial maturity up to three months.
The cash flows balance of cash and cash equivalents consists of the above-defined monetary assets and their equivalents less bank overdrafts.

Cash in foreign currencies is valued as at the reporting day at the mid-exchange rate quoted by the National Bank of Poland. Foreign exchange differences relating to cash and cash equivalents in foreign currencies and foreign currency operations are included in the profit and loss account.

9.12. Financial assets

Financial assets are classified in the following categories:

– Financial assets held to maturity,

- Financial assets at fair value through profit and loss,
- Loans and receivables,
- Financial assets available for sale.

A held-to-maturity asset is one that has a fixed maturity and fixed or determinable payments and that the entity has the positive intent and ability to hold until maturity. Held-to-maturity assets are measured at amortized cost calculated using the effective interest method. Held-to-maturity financial assets are classified as fixed assets if the maturity exceeds 12 months period from the balance-sheet date.

Financial assets acquired in order to gain on short-term price changes are classified as financial assets valued at fair value through profit and loss. Fair value through profit and loss financial assets are valued at fair value without any transaction costs, taking into account the market value as at the balance-sheet date. Changes in these instruments are recorded in financial revenues and costs. Derivatives are also classified as held for trading except for they are treated as effective hedge instruments or financial guarantee agreements. Financial assets valued at fair value through profit and loss are valued at fair value, taking into account their market value as at balance-sheet date excluding sales transaction costs. Changes in the fair value of these instruments are recognized in the profit and loss account as financial cost or income. Financial assets valued at fair value through profit and loss are presented in current assets. If the contract contains one or more embedded derivatives, the whole contract can be classified to the category of financial assets valued at fair value through profit and loss. It does not apply to the cases when embedded derivative does not have significant impact on cash flows from the contract or separation of embedded derivative is specifically prohibited. Financial assets can be on initial recognition classified to the category of valued at fair value through profit and loss if the following criteria are met: (i) such classification eliminates or significantly reduces lack of integrity in treatment when both valuation and rules of recognition of profit and loss are subject to other regulations, or (ii) asset is part of group of assets which is managed and evaluated based on fair value in accordance with existing strategy of risk management or (iii) financial assets include embedded derivatives which should be recognized separately. As at December 31st 2007 and as at December 31st 2006 no financial assets were classified to the category of value at fair value through profit and loss.

Originating loans and receivables include non-derivatives financial assets with set or foreseeable payments not listed on any active market. They are included in current assets if the tenor does not exceed 12 months from the balance-sheet date. Originating loans and receivables with tenor exceeding 12 months form the balance-sheet date are presented in fixed assets.

All the remaining financial assets are financial assets available for sale. Financial assets available for sale are valued at fair value without any transaction costs, taking into account the market value as at the balance-sheet date. If there is no active market for such instruments and no reliable available valuation using alternative methods, available for sale financial assets are valued at historical cost less impairment. Positive and negative difference between fair value and historical costs, after deferred tax, relating to available for sale assets (if active market exists or fair value can be reliably measured) is recorded in revaluation capital. The loss in value of available for sale financial assets is recorded as financial cost in the profit and loss account.

Purchase and sale of financial assets are initially recognized as at the date of the transaction. Initial measurement includes fair value including, if the asset is not valued at fair value through profit and loss, transaction costs which can be assigned to the purchased asset.

Financial asset is derecognized from the balance sheet when the Group loses control over contractual rights comprising this instrument. Typically, this happens when the instrument is sold and all the cash flows related to this instrument will now be attributed to an independent third party.

9.13. Embedded derivatives

Embedded derivatives are separated from the host contracts and accounted for as derivatives if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

– a separate instrument with the same realization terms as the embedded derivative would meet the definition of a derivative;
– the hybrid (combined) instrument is not measured at fair value and changes at fair value are not recognized in the net profit or loss

Embedded derivatives are accounted for in a similar way as other derivatives which are not designated as hedging instruments.

The scope in which, according to IAS 39, economic features and risk characteristic of the embedded derivative in a foreign currency are closely related with economic features and risk characteristic of the host contract, also includes situations when the currency of the host contract is commonly used in contracts to purchase or sell non-financial items in the economic environment in which the transaction takes place.

9.14. Hedging instruments

Derivatives to hedge against interest rate risk and currency risk include in particular FX forwards and interest rate swaps. Derivative financial instruments of this type are measured at fair value.

Fair value of FX forwards is established by reference to the forward rates of contracts with similar maturity prevailing at a given time. Fair value of interest rate swaps is established by reference to the market value of similar instruments.

Hedge accounting distinguishes between hedging instruments as fair value hedges, protecting against the risk of changes of fair value of a recognized asset or liability, or cash flow hedges, protecting against the changes in cash flow attributable to a specific risk connected with a recognized asset, liability or forecast transaction.

In the case of fair value hedges which qualify for hedge accounting, the gain or loss on revaluation of the hedging instrument is recognized immediately in the profit and loss account. Any gains or losses on the hedged item, attributable to the hedged risk, adjust the balance-sheet value of the hedged item and are also recognized immediately in the profit and loss account. If adjustment is made to the balance-sheet value of a hedged interest-bearing financial instrument, the adjustment is charged to the profit and loss account in such a manner that it may be fully depreciated before the instrument's maturity date.

In the case of cash flow hedges which qualify for hedge accounting, the portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in the equity, while the portion which is determined to be an ineffective hedge is recognized directly in the profit and loss account.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, then the profits or losses which were recognized directly in equity are reclassified into profit or loss in the same period or periods during which the non-financial asset – acquired or non-financial liability assumed – affects profit or loss.

A gain or loss arising from a change in the fair value of derivatives which do not meet the conditions enabling the application of special hedge accounting, are recognized directly in the net financial result for the current period.

The Group ceases to apply the principles of hedge accounting when the hedging instrument expires or is sold, the instrument's use is approaching an end or the instrument is exercised, or when the hedge no longer meets the criteria for hedge accounting. In such a case the total gain or loss on the hedging instrument, initially disclosed in the revaluation capital reserve, continues to be recognized in the revaluation capital reserve until the forecast transaction takes place. If the company no longer expects a forecast transaction to take place, the total net gain or loss recognized in the revaluation capital reserve is posted to the profit and loss account for the current reporting period.

In the years 2006 and 2007, the Group did not apply hedge accounting.

9.15. Financial liabilities

Accounts payable are valued in the amount due.

Other financial liabilities whose settlement in accordance with the contract takes place by way of issuing financial assets other than cash or exchange into financial instruments are valued at fair value.

Other financial liabilities which are not financial instruments valued at fair value through profit and loss are valued at amortized cost using effective interest rate method.

9.16. Interest bearing loans, borrowings and bonds

All loans, borrowings and bonds are initially recognized at the value of the consideration received net of acquisition costs associated with the borrowing/loan.

After initial recognition, all interest-bearing loans, borrowings and bonds are subsequently measured at amortized cost, using the effective interest rate method, except for financial liabilities designated as hedged items, which are subject to the principles of hedge accounting or liabilities qualified at initial recognition as financial instruments valued at the fair value by the financial result.

Costs related to loan acquisition, discounts and premiums received at the moment of liability settlement are taken into account when calculating the amortized cost.

Profits and losses are recorded in the profit and loss account at the moment of liability removal and when calculating the payment using effective interest rate method.

9.17. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, such that an outflow of resources embodying economic benefits is certain or highly probable to be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions for onerous contracts and liabilities are valued at a justified, reliably assessed value.

Provisions are charged to expenses of the operating activity, other operating expenses or financial expenses, depending on circumstances from which the loss results.

Costs relating to a specified provision are incurred in the profit and loss account net of any reimbursements. In case the time value of money is a material factor, the provision is measured using the present value of future cash flows at the discount rate which reflects current market estimate of time value of money and the risk related to the specified liability. If the discount method is applied, the increase in the provision as time passes will be recognized as borrowing cost.

The provision is decreased by the occurrence of loss or liability for which it was created, and unused provisions (because the risk of losses, for which the provisions were created, ceased or diminished) are released into accounts to which they were charged.

9.18. Retirement benefits

Under the Group's remuneration plans, its employees are entitled to retirement benefits. The retirement benefits are paid once at retirement. The amount of retirement benefits depends on the number of years of service and an employee's average remuneration. The Group creates a provision for future retirement benefits in order to allocate costs to relevant periods. In accordance with IAS 19, retirement benefits are classified as post-employment benefit plans. The present value of those liabilities is estimated on each balance-sheet date by an independent actuary. The accumulated liabilities equal discounted future payments, considering employee rotation, and relate to the period ended on the balance-sheet date. Demographic data and information on employee rotation are based on historical records. Actuarial gains and losses are recognized in the profit and loss.

9.19. Share-based remuneration

The employees (including management board members) of the Group receive share-based payments, which means that they render services in exchange for shares or rights to obtain shares ('transactions settled in equity instrument').

(in PLN '000)

Transactions settled in equity instrument

The cost of such equity transactions with management board members is valued at fair value at the date of granting of such rights.
The cost of transactions settled in equity instruments is recognized together with associated increase in equity in the period in which the effectiveness//results conditions were met and ending in the day in which specified employees will receive the rights (rights grant date). The cumulative cost resulting from the transactions settled in equity instrument for each balance sheet date till grant date reflects the time passage of receiving rights and the number of awards, to which rights – in the opinion of the Management as of that date, based on the possibly best estimates of the equity instrument number will be purchased.
No costs are recognized from awards to which the rights are not finally purchased, except for awards in case of which the purchase of rights depends on market conditions which are treated as purchased irrespective of meeting the market conditions, under the condition of meeting other conditions relating to effectiveness.
In case of modifications of granting the awards settled in equity instruments, in order to meet minimum requirements only costs are incurred as if in case the conditions were not modified. Moreover, the cost is recognized of each increase in transaction market value as a result of modifications, valued as of the date of modification.
In case of deletion of award settled in equity instrument it is treated in the way as if the rights were purchased in the date of deletion and all the costs due from the award not incurred yet are immediately recognized. However, in case of replacement of deleted award with new award – specified as deputy award in the day of grant, the award deleted and the new award are treated as if it is a modification of the primary award which is in the way described in the above paragraph.

The diluting effect of issued options is allowed for when establishing profit per share as an additional dilution of shares (Note 13).

9.20. Own shares

Own (treasury) shares are valued according to the acquisition prices.

9.21. Equity and Reserve Funds

Equity and reserve funds are valued according to their par value. The differences between the market value of the obtained payment and the par value of shares is recognized in the reserve funds. The costs of share issue connected with a capital increase decrease the Group's reserve funds.

9.22. Valuation of assets and liabilities expressed in foreign currencies

As at the balance-sheet date:

assets and liabilities denominated in foreign currencies (except for shares in subordinated undertakings valued by equity method) are valued at the mid-exchange rate quoted by the National Bank of Poland at that date.

During the financial year:

1) operations of sale and purchase of foreign currencies and operations of payment of receivables or payables are valued at the buy or sale rate of the bank whose services the undertaking used,
2) other operations are valued at the mid-exchange rate quoted for the given currency by the National Bank of Poland binding on the day preceding the operation, unless a different rate was established in the customs declaration or another document binding on a given undertaking.

The resulting foreign exchange gains and losses are posted in the profit and loss account or, in cases determined by the accounting rules, capitalized under non-current assets. Non-cash items valued at their historic cost in foreign currency are translated at the historic exchange rate effective as at the date of the transaction. Non-cash assets and liabilities measured at fair value in a foreign currency are translated at the exchange rate effective as at the date of the fair value measurement.

	December 31st 2007	December 31st 2006
EURO	3,5820	3,8312
USD	2,4350	2,9105

9.23. Rules of valuation of contingent liabilities

A contingent liability is a probable liability which arises due to past events and whose existence will be confirmed only in the future on the occurrence of uncertain events (over which the undertaking does not have full control). A contingent liability can also be a current liability of the undertaking, which arises due to past events and cannot be valued credibly enough, or it is not probable that effecting this liability will cause outflow of resources with economic advantages. Therefore, such a liability is not presented in the balance sheet, but described in additional information and explanatory notes to the financial statements.

9.24. Recognition of revenues

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognized net of VAT tax, excise duty and rebates. When recognizing revenues the below presented criteria also apply.

9.25. Sale of goods and products

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be valued in a reliable way. Revenue on the realization of instruments hedging cash flows adjusts the value of revenue on the sales of goods and products.

9.25.1 Interest

Revenue is recognized as the interest accrues (taking into account the effective yield on the asset which is the discount rate which discounts future cash flows over the estimated use of financial instruments) in relation to the net book value of given financial instrument class.

9.25.2 Dividends

Dividends due are recorded at the moment of establishing dividend rights for the shareholders.

9.25.3 Rental revenues

Revenues on renting investment properties are disclosed with the straight-line method for the period of rent in relation to open contracts.

Revenues on renting means of air transport are disclosed proportionally to the number of hours of using the means of transport by the lessee.

9.25.4 Revenues on the sale of flats

Revenues on the sale of flats are disclosed only when basically all the risks and advantages connected with a given flat are transferred upon the customer and the revenue can be reasonably valued. Risks and advantages are not considered as basically transferred upon the buyer when, for example, the buyer's risks are limited to the loss of paid deposit and the seller cannot demand payment of the whole amount by the buyer. Costs associated with flats which have already been sold, and which will be incurred in periods following the disclosure of sale (including costs of repairing faults and costs of finishing the common spaces), are assessed and disclosed in the profit and loss account in the period when the sale of a given flat took place.

9.26. Income tax

For the needs of financial reporting, deferred tax liability is created with use of the balance-sheet liability method in relation to all timing differences existing as at the balance-sheet date between the tax value of assets and liabilities and their balance-sheet value as disclosed in the financial statements.

Deferred tax liabilities are recognized on all taxable timing differences:

- With exempt when the deferred tax liability arises due to initial recognition of goodwill, or the initial recognition of asset or liability is in a transaction that is not a business combination, and at the time of the transaction affects neither accounting profit nor taxable profit, and

- In case of positive temporary differences resulting from investment in subsidiaries, associates and shares in joint ventures - except where the timing of the reversal of the temporary difference can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized.

- With exempt when the deferred tax asset arises due the initial recognition of asset or liability (in a transaction that is not a combination of business entities, and at the time of the transaction affects neither accounting profit nor taxable profit), and
- In case of negative temporary differences resulting from investment in subsidiaries, associates and shares in joint ventures the deferred tax asset is recognized in the balance sheet in the amount which is probable that in foreseeable future the above mentioned differences will reverse and taxable profit will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance-sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

The income tax relating to the items directly recorded in net assets is recorded in net assets and not in the profit and loss account.

9.27. Borrowing costs

Subject to capitalization are borrowing costs allocated for financing the construction or production of tangible assets or investment properties, comprising interest due up to the moment of handing an asset over to use, loss on foreign exchange differences up to the amount corresponding to the adjustment of the cost of interest to the interest level adequate to the local currency, and gains on foreign exchange differences up to the amount of earlier capitalized losses due to this fact.

9.28. Prepayments

During a reporting period prepayments include, among others:

- costs of rent and lease paid in advance,
- costs of energy paid in advance,
- costs of insurance of property,
- costs of charges for the right of perpetual usufruct,
- property tax,
- allowances for the employee benefit fund,
- other financial expenses charged in advance,
- commissions for effecting agreements of renting or selling flats,
- other costs relating to next reporting periods (subscriptions, advance payments for fair events, costs of provision of utility junctions etc.).

Costs subject to activation in the account prepayments and accrued income are settled proportionally to the passage of time in the next financial periods to which they relate. Costs of effecting the sale of flats are settled upon obtaining income on the sale of flats.

9.29. Accrued expenses

Accrued expenses are created in the amount of probable liabilities due in the current reporting period, particularly resulting from:

(in PLN '000)

1) the value of services provided by contractors, whose amount can be assessed in a reliable way,
2) the obligation to provide future services resulting from the current activity, whose amount can be assessed, although the date of their provision is not known yet, and which can include, among others:
   - costs of remuneration and mark-ups connected with the results of the period, but paid in the next reporting periods,
   - costs of auditing these financial statements and other costs relating to the reporting period.

9.30. Net profit per share

Net profit per share for each period is calculated by dividing the net profit for the period by the weighted average number of shares during that period.

10. Information on segments of activity

Each strategic activity of the Group is conducted in a separate subsidiary undertaking (single purpose company dedicated to real estate), however, most of the Group's activity relates to the same market – real estate market. The Group does not operate in different industry segments, and its activity is focused mainly on the territory of Poland, hence financial reporting does not distinguish industry segments or geographical segments.

In the financial year ended December 31st 2007 the Group sold a means of air transport and thus stopped providing the services of their rental. Revenues on renting the means of air transport are presented in Note 11.1. As at December 31st 2006, the value of the airplane in the Parent Undertaking amounted to PLN 23,560,000, and in the subsidiary company Arkady Wrocławskie S.A. the value of the airplane disclosed under Non-current assets classified for sale amounted to PLN 10,108,000.

At present, most of the Group's income comes from the rental of office space and retail and service centre, hence the Group does not distinguish separate segments, and the financial statements do not include segments of activity. In the future the Group will generate income from other activities (among others, from the sale of flats; currently, payments on account of the purchase of flats are presented in the balance sheet as accrued revenues), and then it will present income divided into individual segments of activity.

11. Revenues and Expenses

11.1. Revenues

	Year ended December 31st 2007	Year ended December 31st 2006
Revenue on rental of office space and retail and service centre	29,140	4,746
Revenue on rental of means of air transport	5,016	1,203
Other	234	6
Total revenues	**34,390**	**5,955**

Future minimum payments due to lease contracts, to which the Group is the leasing party, are as follows

	Year ended December 31st 2007	Year ended December 31st 2006
In the period of 1 year	29,947	21,472

(in PLN '000)

In the period of 1 to 5 years	122,952	148,131
In the period of more than 5 years	44,361	62,211
	197,260	**231,814**

11.2. Expenses by type

	Year ended December 31st 2007	Year ended December 31st 2006
Depreciation	2,350	755
Consumption of materials and energy	2,201	1,556
Contracted services	8,642	3,014
Taxes and charges	993	625
Salaries and wages	8,630	2,584
Social security and other benefits	4,463	712
Other costs by type	4,999	1,547
Total	**32,278**	**10,793**

	Year ended December 31st 2007	Year ended December 31st 2006
Cost of sales	14,652	3,415
Selling and distribution costs	0	0
General administrative expenses	17,626	7,378
Total	**32,278**	**10,793**

11.3. Depreciation costs and valuation allowance disclosed in the profit and loss account

	Year ended December 31st 2007	Year ended December 31st 2006
Items disclosed in the cost of sales :	**1,575**	**295**
Depreciation of non-current assets	1,485	226
Depreciation of intangible assets	90	69
Items disclosed in selling costs	**0**	**0**
Depreciation of non-current assets	0	0
Depreciation of intangible assets	0	0
Items disclosed in general administrative expenses:	**775**	**460**
Depreciation of non-current assets	767	460
Depreciation of intangible assets	8	0

(in PLN '000)

11.4. Costs of employee benefits

	Year ended December 31st 2007	Year ended December 31st 2006
Salaries and wages	8,630	2,584
Costs of social security	1,071	712
Costs of retirement benefits	3	0
Other post-employment benefits	0	0
Costs of share-based remuneration scheme	3,108	0
Other benefits	281	0
Total costs of employee benefits, including :	**13,093**	**3,296**
Items displayed in the cost of sales	1,916	69
Items displayed in the selling costs	0	0
Items displayed in the general administrative expenses	11,177	3,227

11.5. Other operating income

	Year ended December 31st 2007	Year ended December 31st 2006
Revenue on cost recharges	10,805	0
Received damages	803	74
Lost security deposits for providing design services	0	198
Other	76	64
Total	**11,684**	**336**

11.6. Other operating expenses

	Year ended December 31st 2007	Year ended December 31st 2006
Costs to be recharged	10,783	0
Allowances for receivables	343	60
Provision for legal claims	3,340	0
Provision for impairment of acquired liabilities	1,289	0
Other	1,344	71
Total	**17,099**	**131**

11.7. Financial income

	Year ended December 31st 2007	Year ended December 31st 2006

Bank interest received	8,878	360
Positive foreign exchange differences surplus	14,611	2,606
Other	30	0
Total	**23,519**	**2,966**

11.8. Financial expenses

	Year ended December 31st 2007	Year ended December 31st 2006
Interest on bonds and loans	7,456	4,101
Negative foreign exchange differences surplus	93	0
Provision for expenses connected with earlier repayment of credit	1,502	0
Other	2,178	504
Total	11,229	4,605

12. Income tax

12.1. Tax expense

The main elements of tax expense for year ended December 31st 2007 and December 31st 2006 are as follows:

	Year ended December 31st 2007	Year ended December 31st 2006
Profit and loss account		
Current income tax		
Current income tax expense	(6)	(38)
Adjustments of the current income tax from previous years	0	0
Deferred income tax		
Timing differences and their reversal	(27,183)	894
Tax expense shown in the consolidated profit and loss account	**(27,189)**	**856**
Consolidated statement of changes in equity		
Tax on unrealized profit from revaluation of investment properties	(9,329)	(9,329)
Tax benefit / (tax expense) reported in equity	0	0

(in PLN '000)

12.2. Reconciliation of effective tax rate

Reconciliation of income tax on the gross financial result before tax according to the statutory tax rate, with income tax counted according to effective tax rate of the Group for year ended December 31st 2007 and December 31st 2006 is as follows:

	Year ended December 31st 2007	Year ended December 31st 2006
Gross profit /(loss) before tax on continued operations	133,691	(6,370)
Profit /(loss) before tax on discontinued operations	0	0
Gross profit /(loss) before tax	**133,691**	**(6,370)**
Tax according to the statutory tax rate binding in Poland: 19% (2006: 19%)	26,511	(1,211)
Non-tax-deductible costs	1,710	355
Cost of capital increase disclosed in share capital decreasing tax base in the current tax account	(2,249)	0
Differences between tax value and balance-sheet value not passing through the profit and loss account	1,532	0
Other	(314)	0
Tax according to the effective tax rate 20% (2006:13%)	**27,189**	**(856)**
Income tax (expense) reported in the profit and loss account	(27,189)	856
Income tax attributed to discontinued operations		
	(27,189)	**856**

12.3. Deferred income tax

Deferred income tax results from the following items:

	Balance sheet		Profit and loss account for year	
	December 31st 2007	December 31st 2006	ended December 31st 2007	ended December 31st 2006
Deferred tax liability				
Timing income	(73)	(110)	37	(94)
Accrued expenses of effecting contracts	(17)	(183)	166	(183)
Currency translation differences disclosed in the profit and loss account	(3,193)	(492)	(2,701)	(492)
Revaluation of investment properties	(23,701)	0	(23,701)	0
Difference in tax and balance-sheet depreciation	(7,656)	(1,170)	(6,486)	(1,170)
Provision for the settlement of the transaction of acquisition of assets	(9,329)	(9,329)	0	0

(in PLN '000)

Gross deferred tax liability	**(43,969)**	**(11,284)**		
Deferred tax assets				
Valuation allowance for tangible assets	0	817	(817)	67
Provision for retirement severance payments	8	5	3	5
Unused holiday accrual	66	33	33	33
Payroll accrual	25	57	(32)	56
Provision for balance-sheet audit	25	29	(4)	29
Other provision	954	0	954	0
Interest accrued on issued bonds	248	264	(16)	264
Interest accrued on loans	0	18	(18)	18
Other timing expenses	34	8	26	8
Losses that can be deducted from future taxable income	8,083	2,710	5,373	2,353
Gross deferred tax assets	**9,443**	**3,941**		
Deferred tax expense			**(27,183)**	**894**
Net deferred tax asset	**2,743**	**1,986**		
Net deferred tax provision	**(37,269)**	**(9,329)**		

In the deferred tax, the Group did not include the tax loss asset disclosed in the limited partnership Warszawa Przy Promenadzie sp. z o.o. sp. k. (formerly Europlan Projekt Gocław sp. z o.o. sp. k.) in the amount of about PLN 228,000.

13. Profit per share

Basic profit/(loss) per share is calculated by dividing net profit attributable to ordinary shareholders of the Parent Undertaking by average weighted number of issued ordinary shares occurring during a period.

Diluted profit/(loss) per share is calculated by dividing net profit for the period attributable to ordinary shareholders of the Parent Undertaking (after deducting interest on depreciable preferred shares convertible to ordinary shares) by average weighted number of issued ordinary shares occurring during a period (adjusted by the impact of diluting options and diluting depreciable preferred shares convertible to ordinary shares).

Below are presented data on profit and shares, which were used to calculate the basic and diluted profit per share:

(in PLN '000)

	Year ended December 31st 2007	Year ended December 31st 2006
Average weighted number of issued ordinary shares used to calculate the basic profit per share	391,913,729	373,698,868
The impact of dilution:		
Options for shares	1,000,000	0
Adjusted average weighted number of issued ordinary shares used to calculate the basic profit per share	392,913,729	373,698,868

	Year ended December 31st 2007	Year ended December 31st 2006
Net profit/loss on continued operations	106,502	(5,514)
Profit/loss on discontinued operations	0	0
Net profit/loss	106,502	(5,514)
Net profit attributable to ordinary shareholders, used to calculate profit per share	106,502	(5,514)
Net profit/loss per share in PLN	0,27	(0,08)
Net diluted profit/loss per share in PLN	0,27	-

14. Property, plant and equipment

2007	Land and buildings	Means of transport	Plant and equipment	Tangible assets under construction	Total
Net value as at January 1st 2007	**0**	**24,774**	**387**	**251,928**	**277,089**
Increase – acquisition	0	0	135	114,267	114,402
Increase – reclassification from inventories	0	0	0	62,875	62,875
Increase – other	0	0	0	3,394	3,394
Acquisition of a subsidiary	0	0	69	0	69
Sale	0	(22,276)	(67)	0	(22,343)
Liquidation	0	0	(87)	(10)	(87)
Transfer from tangible assets under construction	30	138	577	(1,285)	(540)
Transfer to investment property	0	0	0	(364,631)	(364,631)
Depreciation allowance for the financial year	(1)	(1,834)	(261)	0	(2,096)
Valuation allowance	0	0	0	0	0
Net value as at December 31st 2007	**29**	**802**	**753**	**66,538**	**68 122**

(in PLN '000)

As at January 1st 2007					
Gross value	-	24 858	436	251 928	277 222
Depreciation and impairment allowance	0	(84)	(49)	0	(133)
Net value	**-**	**24 774**	**387**	**251 928**	**277 089**
As at December 31st 2007					
Gross value	30	1 031	1 085	66 538	68 684
Depreciation and impairment allowance	(1)	(229)	(332)	0	(562)
Net value	**29**	**802**	**753**	**66,538**	**68,122**

(*) In the year ended December 31st 2007, the Group depreciated a means of transport in the amount of about PLN 155,000, which as at December 31st 2006 was disclosed as a Non-current asset classified for sale.

2006	**Land and buildings**	**Means of transport**	**Plant and equipment**	**Tangible assets under construction**	**Total**
Net value as at January 1st 2006	**9**	**11,225**	**18**	**77,070**	**88,322**
Increase – acquisition	0	24,859	448	178,952	204,259
Increase – other	0	0	0	879	879
Decrease (sale, liquidation, transfer)	(9)	(84)	(7)	(4,898)	(4,998)
Transfer to tangible assets	0	0	0	0	0
Transfer to intangible assets	0	0	0	(17)	(17)
Impairment allowance	0	(509)	0	0	(509)
Reclassification to tangible assets intended for sale (*)	0	(10,108)	0	0	(10,108)
Depreciation allowance for the financial year	0	(609)	(72)	0	(681)
Depreciation allowance for the financial year capitalized in assets	0	0	0	(58)	(58)
Net value as at December 31st 2006	**0**	**24,774**	**387**	**251,928**	**277,089**
As at January 1st 2006					
Gross value	9	16,271	106	77,070	93,456
Depreciation and impairment allowance	0	(5,046)	(88)	0	(5,134)
Net value	**9**	**11,225**	**18**	**77,070**	**88,322**
As at December 31st 2006					

(in PLN '000)

Gross value	0	24,858	440	251,928	277,226
Depreciation and impairment allowance	0	(84)	(53)	0	(137)
Net value	**0**	**24,774**	**387**	**251,928**	**277,089**

(*) As a non-current asset classified for sale as at December 31st 2006 was presented an airplane which the Group intended to sell, and as at the balance-sheet date it was a subject of negotiation with a potential buyer. The sale was effected in May 2007.

15. Intangible assets

2007	**Computer software and other**
Net value as at January 1st 2007	**6**
Increase	0
Transfer from assets under construction	540
Decrease (sale, liquidation, transfer)	0
Impairment allowance	0
Depreciation allowance for the period – into expenses	(99)
As at December 31st 2007	**447**
As at January 1st 2007	
Gross value	104
Depreciation and impairment allowance	(98)
Net value	**6**
As at December 31st 2007	
Gross value	640
Depreciation and impairment allowance	(193)
Net value	**447**

2006	**Computer software and other**
Net value as at January 1st 2006	**14**
Increase	76

(in PLN '000)

Decrease - sale, liquidation, transfer	(6)
Attributed to discontinued operations	0
Acquisition of a subsidiary	0
Impairment allowance	0
Depreciation allowance for the financial year-into expenses	(69)
Depreciation allowance for the financial year-capitalized	(9)
As at December 31st 2006	**6**
As at January 1st 2006	
Gross value	57
Depreciation and impairment allowance	(43)
Net value	**14**
As at December 31st 2006	
Gross value	47
Depreciation and impairment allowance	(41)
Net value	**6**

16. Acquisitions of shares and assets

Acquisitions of shares

In February 2007, LC Corp S.A. acquired the shares of other real estate development companies: Vratislavia Residence sp. z o.o. and Łódź Residence sp. z o.o., which will carry out residential development projects:

Vratislavia Residence sp. z o.o. seated in Wrocław in ul. Powstańców Śl. 2-4; registered in the National Court Register on February 8th 2007 is a company established to carry out and manage the development project Vratislavia Residence. LC Corp S.A. holds 100 % in its share capital.

Łódź Residence sp. z o.o. seated in Wrocław in ul. Powstańców Śl. 2-4, registered in the National Court Register on February 27th 2007 is a company established to carry out and manage the development project Łódź Residence. LC Corp S.A. holds 48 % in its share capital. On March 1st 2007 LC Corp S.A. concluded an agreement with Leszek Czarnecki, changed with an annex on May 31st 2007, on the strength of which the Issuer and Leszek Czarnecki, as partners of Łódź Residence sp. z o.o. holding jointly 100% shares, undertook among other things to increase the share capital of Łódź Residence sp. z o.o., at the same time all the new shares are to be held by LC Corp S.A..
On July 27th 2007 LC Corp S.A. bought from Leszek Czarnecki the other shares for the price of their par value. On the balance-sheet date, LC Corp S.A. held 100% shares of this company.

On July 27th 2007, LC Corp S.A. as the only partner concluded the agreement of the company Gdańsk Residence Sp. z o.o. seated in Wrocław, with the share capital of PLN 50,000. On the balance-sheet date the registered share capital of the subsidiary company amounted to PLN 50,000, and LC Corp S.A. held 100% shares of this company.

On July 27th 2007, LC Corp S.A. as the only partner concluded the agreement of the company Warszawa Projekt V Sp. z o.o. seated in Wrocław, with the share capital of PLN 50,000. On the balance-sheet date the registered share capital of the subsidiary company amounted to PLN 50,000, and LC Corp S.A. held 100% shares of this company.

On August 10th 2007, LC Corp S.A. as the only partner concluded the agreement of the company LC Corp Stabłowice Sp. z o.o. seated in Wrocław, with the share capital of PLN 50,000. On the balance-sheet date the registered share capital of the subsidiary company amounted to PLN 50,000, and LC Corp S.A. held 100% shares of this company.

On August 10th 2007, LC Corp S.A. as the only partner concluded the agreement of the company LC Corp Pustynna Sp. z o.o. seated in Wrocław, with the share capital of PLN 50,000. On the balance-sheet date the registered share capital of the subsidiary company amounted to PLN 50,000, and LC Corp S.A. held 100% shares of this company.

Acquisitions of assets

In May 2007, LC Corp S.A. acquired the shares of five real estate development companies i.e.:

Europlan Projekt Gocław sp. z o.o. seated in Warsaw in ul. Ostrobramska 75 C/60, registered in the National Court Register on August 8th 2005 is a company established to carry out and manage the development project Osiedle Przy Promenadzie. LC Corp S.A. holds 100 % in its share capital.

Europlan Projekt II sp. z o.o. seated in Warsaw in ul. Ostrobramska 75 C/60, registered in the National Court Register on May 12th 2006 is company established to carry out and manage the development project Crown Apartments. LC Corp S.A. holds 100 % in its share capital.

Europlan Projekt III sp. z o.o. seated in Warsaw in ul. Ostrobramska 75 C/60, registered in the National Court Register on December 8th 2006 is a company established to carry out and manage the development project Rezydencja Kaliska. LC Corp S.A. holds 100 % in its share capital.

Europlan Projekt IV sp. z o.o. seated in Warsaw in ul. Ostrobramska 75 C/60, registered in the National Court Register on March 8th 2007 is a company established to carry out and manage the development project Osiedle Zielony Złocień. LC Corp S.A. holds 100 % in its share capital.

Europlan Projekt Gocław Sp. z o.o. sp. k. seated in Warsaw in ul. Ostrobramska 75 C/60, registered in the National Court Register on October 11th 2005 is a company established to carry out and manage the development project Osiedle Przy Promenadzie. Europlan Projekt Gocław Sp. z o.o. sp. k. is controlled in 100% (directly or indirectly through Europlan Projekt Gocław sp. z o.o.) by LC Corp S.A..

The above-mentioned companies are only special purpose entities, which do not fulfil the definition of an undertaking according to IFRS 3 and hence, from the point of view of the financial statements, transactions concerning these entities were treated as settlements of transactions concerning an asset, not an undertaking.

17. Investment properties

As at December 31st 2007 the Group owned among its assets a retail and service centre Arkady Wrocławskie, which was valued at fair value. The valuation was made by a professional valuer. The market value was assessed by the income method, using the investment method. The income method and the investment method are based on the assumption that the value of a property depends on the rental income that can be obtained from the property. Income from the property can result from rental contracts or, in the case of vacant spaces, from the analysis of market rental rates. After evaluating the rent, the value is calculated as a ratio of the income from the property to the rate of return on the investment. The rate of return, known as capitalization rate, is established on the basis of an analysis of similar transactions on the market and depends on the risk associated with a given investment.

(in PLN '000)

As at the balance-sheet day, the fair value amounted to PLN 489,373,000 (EUR 136.6 million).

	2007	2006
As at January 1st	**0**	**0**
Transfer of investment property from tangible assets under construction	364,632	0
Revaluation to fair value	124,741	0
As at December 31st	**489,373**	**0**

18. Employee benefits

18.1. Staff incentive schemes

On March 23rd 2007, the General Shareholders Meeting of the Parent Undertaking adopted a resolution on creating a Staff Incentive Scheme for the Group's management, a key element of execution of the Group's strategy.

The scheme involved a conditional increase in the Parent Company's share capital with 3 million series I shares.

Series I shares are offered to Eligible Persons holding bonds with the pre-emptive right to acquire the new shares acquired from the Custodian on principles defined in the Management Share Options Scheme.

The Parent Company undertook to issue altogether not more than 3 million Bonds with Pre-Emptive Rights. The bonds were issued and acquired by the Custodian. The Custodian is obliged to sell the bonds to the Eligible Persons.

Each bond authorizes to 1 subscription for Series I Shares.

As at December 31st 2007, under the incentive scheme, options were granted for:

- 1,000,0000 series I ordinary shares of par value PLN 1.00 per share.

The fair value of options for shares granted in the period ended December 31st 2007 amounts to PLN 3,108,000 and is disclosed as a cost in the profit and loss account for that period.

Valuation of the fair value was made by an actuary. The assumptions and methodology adopted for valuation are commonly used for valuation of derivatives and comply with IFRS 2. It is a development of the so-called Black-Scholes-Merton model. Guided by guidelines included in IFRS 2 section B5, the following assumptions were made for the valuation.

(in PLN '000)

	December 31st 2007
Dividend rate (%)	0
Price variability index (%)	48.01%
Interest rate free from risk (%)	5.53%
Share price as at October 24th 2007 in PLN	4,10

Between January 30th 2008 and February 6th 2008 a subscription for series I shares was held. It was the first tranche of the issue of series I shares offered by the Parent Company under the Management Share Options Scheme.

The number of securities subscribed for in this tranche of series I shares issue totalled 1,000,000. The number of eligible persons who took over the 1,000,000 series I shares was 21. The price of the securities was PLN 1.00 each (The issue price of the bonds corresponds to their par value).

19. Inventories

	December 31st 2007	December 31st 2006
Materials	9,018	0
Work in process	665,647	152,564
Finished products	0	0
Total inventories	**674,665**	**152,564**

As at December 31st 2007 the costs of external financing of PLN 5,877,000 were capitalized in the inventories (in 2006 there were no costs of external financing capitalized in the inventories).

20. Trade and other receivables

	December 31st 2007	December 31st 2006
Trade receivables	6,580	432
Budget receivables (without income tax)	60,885	10,265
Other receivables from third parties	10,460	38
Total receivables (net)	**77,925**	**10,735**
Valuation allowance for receivables	(349)	(60)
Gross receivables	**78,274**	**10,795**

The changes of the valuation allowance for receivables were as follows:

	Year ended December 31st 2007	Year ended December 31st 2006

At the beginning of the period	60	0
Increase	343	60
Use	(54)	0
Deduction of unused amounts	0	0
Adjustment of the discount rate	0	0
At the end of the period	**349**	**60**

Below is presented an analysis of trade receivables, which as at December 31st 2007 and December 31st 2006 were past due, but were not regarded as uncollectible

			Past due, but collectible			
	Total	**Term**	**< 30 days**	**30 – 90 days**	**90 – 180 days**	**>180 days**
December 31st 2007	6,580	1,914	1,791	778	1 480	617
December 31st 2006	432	384	48	0	0	0

21. Accrued expenses

	December 31st 2007	**December 31st 2006**
Rent paid in advance	393	429
Insurance	1,418	0
Non-current	**1,811**	**429**
Rent paid in advance	36	37
Insurance	814	280
Other (insurance, subscriptions)	171	9
Current	**1,021**	**326**

22. Cash and cash equivalents

	December 31st 2007	**December 31st 2006**
Cash on hand and in a bank account	10,870	3,233
Short-term deposits	209,838	54,193

(in PLN '000)

	220,708	**57,426**

Cash in a bank account bears interest according to floating interest rates. Short-term deposits are made for different periods, from one day to several days, depending on the Group's current demand for cash and bear interest according to interest rates established for them.

23. Explanations to the cash-flow statement

23.1. Other adjustments

	December 31st 2007	December 31st 2006
Revaluation of the acquired asset	0	49,101
Increase in the valuation allowance for a tangible asset	0	509
Increase in the liability for costs of effecting rental agreements	0	(790)
Adjustment of the results of acquired subsidiaries	(1,356)	0
Opening balance adjustments connected with the acquisition of subsidiary companies	95,675	0
Construction costs settlement liability	(3,394)	0
Reclassification of expenditures from inventories to tangible assets under construction	(62,875)	0
Revaluation of an investment property	(124,741)	0
Management options pricing	3,108	0
Other	73	0
Other adjustments	**(93,510)**	**48,820**

23.2. Cash used in financing activities

	December 31st 2007	December 31st 2006
Acquisition of shares and rights in Europlan Group	27,735	0
Acquisition of liabilities in Europlan Group	30,691	0
Acquisition of shares in Vratislavia Residence Sp. z o.o. and Łódź Residence Sp. z o.o.	76	0
Cash used in financing activities	**58,502**	**0**

24. Capital

24.1. Share capital

Share capital	December 31st 2007	December 31st 2006
Series A ordinary shares of par value PLN 1.00 per share	500	500
Series B ordinary shares of par value PLN 1.00 per share	113,700	113,700
Series C ordinary shares of par value PLN 1.00 per share	1,453	1,453
Series D ordinary shares of par value PLN 1.00 per share	1,472	1,472
Series E ordinary shares of par value PLN 1.00 per share	32,000	32,000
Series F ordinary shares of par value PLN 1.00 per share	102,000	0
Series G ordinary shares of par value PLN 1.00 per share	80,000	0
Series H ordinary shares of par value PLN 1.00 per share	58,433	0
Series J ordinary shares of par value PLN 1.00 per share	57,000	0
	446,558	**149,125**

Ordinary shares of LC Corp S.A. issued, registered and fully paid	Number	Value in PLN '000
As at January 1st 2007	**149,124,564**	**149,125**
Issued on December 22nd 2006 in exchange for cash *	102,000,000	102,000
Issued on February 6th 2007 in exchange for cash *	80,000,000	80,000
Issued on April 16th 2007 in exchange for cash *	58,433,747	58,433
Issued on March 15th 2007 in exchange for cash**	57,000,000	57,000
As at December 31st 2007	**446,558,311**	**446,558**

* date of resolution adopted by the General Shareholders Meeting on establishing the company or, respectively, on the increase in capital

** date of resolution adopted by the General Shareholders Meeting on increasing capital, later changed by the General Shareholders Meeting dated April 16th 2007 (change of series number: from H to J)

Par value of the shares

All issued shares have par value of PLN 1.00 and were fully paid.

Rights of shareholders

No shares of any series are preferred as to the dividend or return on capital. One share corresponds to one vote.

(in PLN '000)

Shareholders of significant interest

Shareholders possessing, directly or indirectly through subsidiary undertakings, at least 5% of the total vote at the Issuer's general meeting as at December 31st 2007, were:

Shareholder	Number of shares	Number of votes	Share % in share capital	Share % in vote at general meeting
Leszek Czarnecki directly and indirectly*	226,354,564	226,354,564	50.68%	50.68%
including: LC Corp B.V. seated in Amsterdam	211,929,000	211,929,000	47.45%	47.45%
ING Nationale-Nederlanden Polska Otwarty Fundusz Emerytalny	27,000,000	27,000,000	6.05%	6.05%
Commercial Union Powszechne Towarzystwo Emerytalne BPH CU WBK S.A	25,000,000	25,000,000	5.60%	5.60%

* Mr. Leszek Czarnecki holds directly 14,424,564 shares constituting 3.23% of the share capital and 3.23% share in the vote at the General Meeting, and indirectly through his subsidiary undertakings, Mr. Leszek Czarnecki holds 211,930,000 shares constituting 47.45% of the share capital and 47.45% share in the vote at the General Meeting. Leszek Czarnecki's subsidiary undertaking is LC Corp B.V seated in Amsterdam, holding 211,929,000 shares constituting 47.45% of the share capital and 47.45% share in the vote at the General Meeting, and RB Investcom Sp. z o.o. seated in Wrocław, holding 1,000 shares constituting 0.0002% of the share capital and 0.0002% share in the vote at the General Meeting.

Shareholders possessing, directly or indirectly through subsidiary undertakings, at least 5% of the total vote at the Issuer's general meeting as at December 31st 2006, were:

Shareholder	Number of shares	Number of votes	Share % in share capital	Share % in vote at general meeting
Leszek Czarnecki directly and indirectly*	146,123,564	146,123,564	100%	100%
including: LC Corp B.V. seated in Amsterdam	134,699,000	134,699,000	90.33%	90.33%

24.2. Reserve funds

As at December 31st 2007 reserve funds amount to PLN PLN 302,659,000. They were created from the surplus of the issue value over the par value in the Parent Undertaking in the amount of PLN 321,452,000 less issue costs disclosed as decrease in the reserve funds in the amount of PLN 13,157,000 and to cover the loss of the Parent Undertaking from 2006 in the amount of PLN 1,319,000. The remaining part of minus PLN 14,376,000 resulting from the acquisition of subsidiaries in 2006 (disclosed with the pooling of interests method) from the difference in adding assets and liabilities of these companies and eliminating the value of their shares in the account books of the parent undertaking, and the amount of PLN 10,059,000 constitute the reserve funds of the subsidiaries.

(in PLN '000)

24.3. Other reserve funds

As at December 31st 2007, other reserve funds of PLN 39,771,000 were created as a result of settling the acquisition of a land property in Wrocław (Poltegor).

24.4. Other capital

As at December 31st 2007 other capital of PLN 3,108,000 was created as a result of the valuation of fair value of management options.

25. Interest-bearing bank loans and borrowings

	Maturity	December 31st 2007	December 31st 2006
Non-current			
Bank loan in PLN (non-current portion)	28-02-2009	12,700	0
Bank loan in PLN (non-current portion)	30-09-2009	94,000	0
Bank loan in EUR (non-current portion)	31-12-2016	198,184	128,834
Zero coupon registered bonds	29-12-2015	0	14,466
		304,884	**143,300**
Current			
Loan	-	0	622
Loan	-	0	1,971
Bank loan in PLN (current portion)	31-10-2008	10,500	0
Bank loan in PLN (current portion)	31-08-2008	18,886	0
Bank loan in PLN (current portion)	02-01-2008	499	0
Bank loan in PLN	-	0	4,685
Bank loan in EUR (current portion)	31-12-2008	12,007	3,557
Zero coupon registered bonds	-	0	25,924
Bond Scheme	18-03-2008	129,245	0
		171,137	**36,759**

In the year ended December 31st 2007, the average weighted interest of bank loans, borrowings and bonds amounted to 6.6%. The average weighted interest of borrowings and bonds in 2006 amounted to 6.2 %.

(in PLN '000)

26. Provisions

The Group will pay severance payments defined in the labour code to those of its employees who retire. Therefore, based on a valuation made by a professional actuarial company, the Group creates a provision for the current value of the retirement benefit liability, and also disability retirement severance liability or death benefit liability.

The amounts of these provisions and the agreement presenting the changes of the status during the financial period are shown in the table below:

	2007	2006
As at January 1st	**26**	**0**
Provision creation	4,864	26
Costs of paid benefit	0	0
Release of provisions	3	0
As at December 31st	**4,887**	**26**

	2007	2006
Provisions by type		
For retirement and disability severance payments, and death benefits	27	26
For legal claims	3,340	0
For expenses connected with earlier repayment of credit	1,520	0
As at December 31st	**4,887**	**26**
Current	26	24
Non-current	4,861	2

The main assumptions adopted by the actuary as at the balance-sheet date December 31st 2007 and December 31st 2006 to calculate the amount due are as follows:

	2007	2006
Technical discount rate (%)	5%	4%
Probability of disability retirement (expressed in per mille)	2,5	2,5
Mobility	1	1
Expected growth rate of remuneration (%)	10% in 2008 , 5% in successive years	5%

(in PLN '000)

27. Liabilities

27.1. Trade and other payables

	December 31st 2007	December 31st 2006
Trade payables	22,220	18,253
Budget liabilities (without income tax)	422	177
Liabilities under security deposits	12,516	5,892
Other liabilities	2,486	109
	37,644	**24,431**
Non-current	7,923	0
Current	29,721	24,431

An analysis of maturity of trade and other payables as at December 31st 2007 and December 31st 2006 is shown below:

	December 31st 2007	December 31st 2006
up to 1 year	29,721	24,431
between 1 and 5 years	5,970	0
over 5 years	1,953	0
	37,644	**24,431**

27.2. Liabilities due to lease contracts

Future minimum payments due to lease contracts, to which the Group is the leasing party, are as follows:

	December 31st 2007	December 31st 2006
In the period of 1 year	968	992
In the period of 1 to 5 years	4,839	4,839
In the period of more than 5 years	20,244	21,212
	26,051	**27,043**

27.3. Contingent liabilities

As at December 31st 2007, the Group did not have any contingent liabilities.

27.4. Investment liabilities

In 2008, the Group plans to incur expenditures on property, plant and equipment and investment property in the amount of about PLN 600 million.

(in PLN '000)

27.5. Court proceedings

As at December 31st 2007 there are the following court proceedings, where Arkady Wrocławskie S.A., a subsidiary entity of the Issuer, is a party:

Claims lodged by Janusz Bryś, considered by the Regional Court for Wrocław-Fabryczna in Wrocław, value of the claim: PLN 24,400. The payment order in the admonitory proceedings was opposed.

Claims lodged by Janusz Bryś, considered by the Regional Court for Wrocław-Fabryczna in Wrocław, value of the claim: PLN 3,660. The payment order in the admonitory proceedings was opposed.

Claims lodged by Janusz Bryś, considered by the Regional Court for Wrocław-Fabryczna in Wrocław, value of the claim: PLN 32,000. The payment order in the admonitory proceedings was opposed.

Claims lodged by Decus Sp. z o.o., considered by the Regional Court in Wrocław, value of the claim: PLN 660,000.

Claims lodged by Arkady Wrocławskie S.A. against Janusz Bryś, considered by the Regional Court in Wrocław, value of the claim: PLN 345,000. The case has not yet come to trial.

28. Accrued expenses and revenues

	December 31st 2007	December 31st 2006
Liability due to the costs of effecting rental contracts	0	1,947
Liability due to employee benefits	128	298
Liability due to costs of holiday equivalents	351	174
Liability due to balance-sheet audit	131	150
Liability due to payment of damages	0	3,500
Other	37	0
Accrued expenses	**647**	**6,069**
Accrued rental revenues	142	0
Accrued revenues on sales of flats	82,799	0
Accrued revenues	**82,941**	**0**

29. Transactions with related undertakings

The following table shows total amounts of transactions concluded with related undertakings for the year ended December 31st 2007 and December 31st 2006:

(in PLN '000)

Related undertaking		Sales to related undertakings	Purchases from related undertakings	Receivables from related undertakings	Liabilities to related undertakings	Financial income (interest)	Financial expenses (interest, discounts)
Shareholders							
LC Corp B.V	2007	9,383	-	1,137	-	-	-
Leszek Czarnecki	2007	712	-	5	-	-	-
RB Investcom Sp. z o.o.	2007	-	-	-	-	-	16
Undertakings related through shareholders							
LC Corp B.V	2007	-	-	-	-	-	517
RB Investcom Sp. z o.o.	2007	260	-	2	9	-	-
RB Computer Sp. z o.o.	2007	-	190	-	8	-	-
RB Expert S.A.	2007	56	-	-	-	-	-
Getin Holding S.A.	2007	429	-	20	137	-	-
Getin International Sp. z o.o.	2007	125	-	8	40	-	-
Getin Leasing S.A.	2007	564	-	49	233	-	-
Getin Raty S.A.	2007	23	-	-	-	-	-
Getin Bank S.A.	2007	936	-	38	71,091	8,467	1,523
Getin International S.a.r.l.	2007	23	-	-	-	-	-
LC Engineering Sp. z o.o.	2007	22,344	-	515	-	-	-
TU Europa S.A.	2007	426	185	32	49	-	1,362
TU Europa Życie S.A.	2007	595	-	20	-	-	-
Powszechny Dom Kredytowy	2007	315	-	1	-	-	-
PDK Biznes	2007	13	-	1	6	-	-
Fundacja LC Heart	2007	43	-	3	23	-	-
BP Real Nieruchomości S.A.	2007	-	3,292	-	-	-	-
Z-d Techniki Konstrukcyjnej Waldemar Czarnecki	2007	-	226	-	-	-	-

(in PLN '000)

Related undertaking		Sales to related undertakings	Purchases from related undertakings	Receivables from related undertakings	Liabilities to related undertakings	Financial income (interest)	Financial expenses (interest, discounts)
Shareholders							
LC Corp B.V	2006	-	-	-	14,466	-	513
Leszek Czarnecki	2006	5,596	129	-	-	-	301
RB Investcom Sp. z o.o.	2006	-	-	-	2,593	-	123
Undertakings related through shareholders							
RB Computer Sp. z o.o.	2006	-	124	-	5	-	-
RB Export S.A.	2006	128	-	-	-	-	-
Getin Holding S.A.	2006	425	-	42	-	-	-
Getin Leasing S.A.	2006	113	29	-	-	-	-
Getin Bank S.A.	2006	192	1,487	5	44,569	358	-
Getin Raty S.A.	2006	49	-	1	-	-	-
TU Europa S.A.	2006	-	74	-	25,924	-	1,438
Powszechny Dom Kredytowy	2006	95	-	-	-	-	-
Z-d Techniki Konstrukcyjnej Waldemar Czarnecki	2006	-	2,824	-	-	-	-

29.1. The Parent Undertaking of the whole Group

LC Corp B.V.

In the year ended December 31st 2007 the following transactions between the Group and *LC Corp B.V.* took place*:*

- In the year ended December 31st 2007 the following costs were re-invoiced: connected with IPO in the part attributable to the company LC Corp B.V. for the amount of PLN 7.4 million net; sale of other services PLN 1.7 million; and the sale of shares in the company JML for the amount of PLN 0.3 million.

Leszek Czarnecki

Leszek Czarnecki directly owns 3.23% shares of LC Corp S.A. and at the same time holds 100% shares of LC Corp B.V, which holds 47.45% shares of LC Corp S.A.

- In the period ended December 31st 2007 sales of services were effected, mainly connected with the rental of the airplane for the amount of PLN 712,000 net.

29.2. Remuneration to senior management of the Group

	Year ended December 31st 2007	**Year ended December 31st 2006**

Short-term employee benefits	1,346	465
Jubilee bonuses and retirement severance payments	0	0
Termination benefits	0	0
Share-based payment	124	0
Total remuneration paid to the senior management except the Management Board and Supervisory Board	**1,470**	**465**

29.3. Remuneration to members of the Management Board and the Supervisory Board

Remuneration paid to the members of the Management Board and members of the Supervisory Board of the Parent Undertaking and subsidiary undertakings was as follows:

	Year ended December 31st 2007	**Year ended December 31st 2006**
Management Board - remuneration	2,614	771
Management Board - share-based remuneration	2,465	0
Management Board (subsidiaries) – remuneration	326	108
Management Board (subsidiaries) - share-based remuneration	83	0
Supervisory Board - remuneration	99	0
Supervisory Board - share-based remuneration	310	0
Total	**5,897**	**879**

30. Rules Governing Financial Risk Management

The main financial instruments which the Group uses include bank loans and bonds. The main purpose of these financial instruments is to obtain financial resources for the Group's activity. Temporary cash flow surpluses are deposited in banks as short-term deposits. The Group also has other financial instruments such as trade receivables and trade payables, which occur directly in the course of conducting business activity by the Group.

The principle by which the Group abides now is refraining from the turnover of financial instruments.

The main types of risk following from the Group's financial instruments include the interest rate risk, currency risk and liquidity risk. The Management Board verifies and agrees the rules governing each type of risk – these rules are briefly discussed below.

30.1. Interest rate risk

The interest rate risk relates mainly to non-current financial liabilities, based on a floating interest rate.

This risk is partly compensated by indexation of lease revenues.

30.2. Currency risk

Currency risk which will arise at the moment of managing a foreign currency loan will be minimized by collecting rent indexed against the currency of the loan financing the investment. Time differences between invoicing and repayment will be minimized by using currency forwards.

The table below shows sensitivity of a gross financial result (due to the change in the fair value of assets and financial liabilities) and the Group's equity (due to the change in the fair value of currency forwards and net hedging of the investment) to rationally possible fluctuations of the euro exchange rates, with the assumption of invariability of other factors.

	Increase/ decrease of the exchange rate in PLN	Impact on the gross financial result in PLN '000	Impact on equity
December 31st 2007 - EUR	+ 0,02	1,559	1,559
	- 0,02	(1,559)	(1,559)
December 31st 2006 - EUR	+ 0,02	(560)	(560)
	- 0,02	560	560

30.3. Credit risk

The Group concludes transactions with renowned companies of good credit capacity. Moreover, due to current monitoring of receivables, exposure of the Group to the risk of uncollectible receivables is negligible.

Receivables from rental/lease contracts are hedged by bank guarantees or security deposits.

In reference to the Group's other financial assets, such as cash and cash equivalents, the Group's credit risk is minimal, because the Group deposits resources in banks of good, stable financial standing.

There is no significant concentration of credit risk in the Group.

30.4. Liquidity risk

The Group aims to maintain balance between continuity and flexibility of financing, by means of using different sources of financing, such as bank loans and bonds.

31. Financial instruments

31.1. Fair values

The table below shows a comparison of balance-sheet values and fair values of the Group's all financial instruments, which were disclosed in the consolidated financial statements according to value different from fair value, divided into different categories of assets and liabilities.

	Balance-sheet value		Fair value	
	December 31st 2007	December 31st 2006	December 31st 2007	December 31st 2006
Financial assets available for sale				
Cash	220,708	57,426	220,708	57,426
Loans and receivables				
Trade and other receivables	77,925	10,735	77,925	10,735
Financial liabilities				
Trade and other payables	37,644	24,431	37,644	24,431
Interest-bearing bank loans and borrowings:				
Loans, bonds and borrowings at a floating interest rate	346,776	137,076	346,776	137,076

(in PLN '000)

	Balance-sheet value		Fair value	
	December 31st 2007	December 31st 2006	December 31st 2007	December 31st 2006
Loans, bonds and borrowings at a fixed interest rate	129,245	42,983	129,245	41,419

A significant part of information on the grounds of which the fair value is evaluated is of a highly subjective character and results from an individual assessment, hence, it may not be accurate. Since the fair value is evaluated as at the balance-sheet day, amounts which were not actually realized or paid at maturity of individual instruments may significantly differ from it.

31.2. Interest rate risk

The table below shows the balance-sheet value of the Group's financial instruments, at risk of interest rate, divided into different categories of assets and liabilities.

Year ended December 31st 2007

Fixed interest rate [PLN]

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Zero coupon bonds	129,245	0	0	0	0	0	129,245
	129,245	**0**	**0**	**0**	**0**	**0**	**129,245**

Floating interest rate [PLN]

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Bank loan in PLN	10,500	12,700	-	-	-	-	23,200
Bank loan in PLN	18,886	-	-	-	-	-	18,886
Bank loan in PLN	499	94,000	-	-	-	-	94,499
Bank loan in EUR	12,007	12,562	13,142	13,749	14,384	144,347	210,191
	41,892	**119,262**	**13,142**	**13,749**	**14,384**	**144,347**	**346,776**

31.3. Collaterals

As at December 31st 2007 the main collaterals of repayment of loans were:
- ordinary (for a fixed amount) mortgage – overall for all projects – up to PLN 393,995,000
- capped mortgage – overall for all projects – up to PLN 134,897,000
- pledge on shares of Arkady Wrocławskie S.A. owned by LC Corp SA – up to EUR 120,600,000
- pledge on shares of Kraków Zielony Złocień sp. z o.o. (formerly Europlan Projekt IV sp. z o.o.)
- registered pledge on bank accounts – up to EUR 120,600,000
- assignments of rights from rental/lease contracts, insurance and guarantees from contracts with contractors within particular real estate development projects.

(in PLN '000)

32. Capital management

The main purpose of capital management is maintaining good credit rating and safe capital ratios which would support the Group's operating activity and increase value for its shareholders.

The Group manages the capital structure and introduces changes resulting from changes in economic conditions. In order to maintain or adjust the capital structure, the Group can change payment of dividend to shareholders, return capital to shareholders or issue new shares. In the financial period ended December 31st 2007 and until December 31st 2006 there were no changes in the objectives, rules and processes binding in this area.

The Group monitors the condition of capital by means of a leverage ratio, which is calculated as a ratio of debt to equity. The Group's rules determine this ratio as not higher than 5. Net debt includes interest-bearing loans and borrowings, trade payables and other liabilities.

	Year ended December 31st 2007	**Year ended December 31st 2006**
Interest-bearing loans and borrowings (external financing)	476,021	180,059
Trade payables and other liabilities	37,644	24,431
A. Net debt	**513,665**	**204,490**
B. Equity	**897,570**	**290,877**
Leverage ratio (A/B)	**0,6**	**0,7**

33. Structure of employment

Average employment in the Group in the year ended December 31st 2007 and December 31st 2006 was as follows:

	Year ended December 31st 2007	**Year ended December 31st 2006**
Management Board of the Parent Undertaking	3,6	2,6
Management Boards of the Group's Entities (*)	1,7	0,8 (*)
Administration	53,5	23,8
Sales Department	5,0	0
Others	1,0	0
Total	**64,8**	**27,2**

(*) - members of the management boards of the Group's entities are persons from the Management Board of the Parent Undertaking.

34. Events subsequent to the balance-sheet date

1. On January 17th 2008 LC Corp Stabłowice Sp. z o.o., a subsidiary undertaking of LC Corp S.A., concluded a contract for the purchase of the right of perpetual usufruct of the property located in Katowice at Al. Roździeńskiego, of the area of 0.9938 ha, for the total price of PLN 79,900,000.00 net.

2. On January 21st 2008 LC Corp S.A. granted a loan to the subordinate entity Warszawa Projekt V Sp. z o.o. on market terms, for the purchase of the property referred to in point 3 below.

3. On January 21st 2008 Warszawa Projekt V sp. z o.o., a subsidiary undertaking of the Issuer, concluded contracts for purchase of land comprising 53 plots of 10.6217 ha in total area, located in Gdańsk, Łostowice district for the total amount of PLN 43,600,000.00 net (PLN 53,192,000.00 gross). The purchase land will be the site of an investment project - construction of a housing estate.

4. On January 21st 2008 LC Corp S.A. granted a loan to the subordinate entity Europlan Projekt III Sp. z o.o. (currently Warszawa Rezydencja Kaliska Sp. z o.o.) on market terms, for the investment executed by that company in Warsaw in Kaliska and Niemcewicza streets (at the boundary of Śródmieście and Ochota districts).

5. On February 6th 2008 LC Corp S.A. concluded with the company Łódź Pustynna Sp. z o.o. an assignment agreement of all rights and obligations resulting from the preliminary purchase agreement of a property located in Łódź , in ul. Pustynna, which was concluded by LC Corp S.A. with an unrelated entity on August 8th 2007. The price for the assignment of all rights and obligations concerning the above-mentioned agreement was established at PLN 9,000,000 net.

6. On February 14th 2008 LC Corp S.A. granted a loan to the subordinate entity Vratislavia Residence Sp. z o.o. on market terms, for the building investment executed by that company in Malin (Gmina Wisznia Mała).

7. On February 28th 2008 LC Corp S.A. granted a loan to the subordinate entity Warszawa Przyokopowa Sp. z o.o. on market terms, for the building investment executed by that company in Warsaw.

8. On February 28th 2008, Arkady Wrocławskie SA concluded a credit agreement for the amount of EUR 61,000,000.00 with the entities forming a consortium of banks composed of ING Bank Śląski SA with its registered office in Katowice, ING Bank Hipoteczny SA with its registered office in Warsaw, and Kredyt Bank SA with its registered office in Warsaw. The credit is intended for refinancing of the expenditure incurred for carrying out the Arkady Wrocławskie investment, including refinancing of the existing credit obligation. The agreement was concluded on an arm's length basis.

9. On February 29th 2008, Arkady Wrocławskie SA filed a notification of total earlier repayment of a syndicated loan contracted on May 18th 2006 with Getin Bank S.A., Raiffeisen Bank Polska S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. The notification was filed on account of a conclusion of a credit agreement on February 28th 2008.

10. On March 5th 2008 1,000,000 (one million) series I bearer ordinary shares of the company LC CORP SA were admitted, by way of an ordinary procedure, to exchange trading in the main market, as a result of which the amount and structure of the Issuer's share capital was changed and now amounts to PLN 447,558,311.

11. On March 7th 2008 the Issuer submitted its statement on entering Łódź Pustynna Sp. z o.o. and acquiring in that company's increased share capital 7,950 (seven thousand nine hundred fifty) new shares with a par value of PLN 1,000 (one thousand zloty) per share, and the total value of PLN 7,950,000 (seven million nine hundred fifty thousand zloty) in return for cash contribution. Following the registration, the share capital of Łódź Pustynna Sp. z o.o. will be PLN 8,000,000 and will be divided into 8,000 shares with a par value of PLN 1,000 per share. Following the increase, the Issuer will hold 7,950 shares of Łódź Pustynna Sp. z o.o., representing 99.37 % of the Company's share capital, enabling the holder to exercise 99.37% (i.e. 7,950) votes at the General Meeting of that Company. Following the registration of the share capital increase, Łódź Pustynna Sp. z o.o. will become a subsidiary of the Issuer.

12. On March 7th 2008 LC Corp S.A. granted a loan to the subordinate entity Łódź Pustynna Sp. z o.o. on market terms, for the building investment executed by that company in Łódź.

13. On March 7th 2008 LC Corp S.A. concluded with a subsidiary entity Warszawa Projekt V Sp. z o.o. an annex to a loan agreement concluded on January 21st 2008 on the basis of which the amount of granted loan was increased, intended for the building investment executed by that company in Gdańsk.

14. On March 11th 2008 the District Court registered in the Register of Pledges a pledge on all shares (113,700,000 shares with a par value of PLN 1.00 each) in Arkady Wrocławskie SA, held by LC Corp S.A. The registered pledge established on the shares is a security for a credit – granted to Arkady Wrocławskie S.A. by a consortium of banks including ING Bank Śląski S.A. of Katowice, ING Bank Hipoteczny S.A. of Warsaw and Kredyt Bank S.A. of Warsaw.

15. On March 28th 2008, registration of a new amount of share capital of the company Łódź Pustynna Sp. z o.o. was made following an increase in the share capital by entering the company and taking over new shares by LC Corp. S.A., which took place on March 7th 2008. Currently, the share capital of Łódź Pustynna Sp. z o.o. amounts to PLN 8,000,000. On March 31st 2008 LC Corp S.A. acquired the remaining 50 shares from Mr Leszek Czarnecki. As a result of the above, LC Corp. S.A. became the only shareholder of the company and holds 100% of the share capital.

16. On April 1st 2008 LC Corp S.A. granted a loan of PLN 20,000,000 to the subordinate entity LC Corp Sky Tower Sp. z o.o. on market terms, for the current business activities connected with the investment.

…………………………………………….
President Konrad Dubelski

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Chief Accountant Lidia Kotowska

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Vice-President Waldemar Horbacki

…………………………………………….
Vice-President Dariusz Karwacki

Wrocław, April 4th 2008