LC CORP SA

FINANCIAL STATEMENTS FOR THE YEAR

ENDED DECEMBER 31ST 2009

WITH AN INDEPENDENT AUDITOR'S REPORT ON THE REVIEW

STATEMENT OF FINANCIAL POSITION
as at December 31st 2009 (in PLN '000)

	Note	December 31st 2009	December 31st 2008
Assets			
A. Non-current assets		**662,326**	**826,927**
1. Intangible assets	16	651	856
2. Property, plant and equipment	15	585	1,146
2.1. Tangible assets		577	1,146
2.2. Tangible assets under construction		8	0
3. Loans and non-current receivables	18	354,989	374,380
4. Non-current Investment	17	297,724	449,565
5. Non-current prepayments and accrued income		0	0
6. Deferred tax assets	13.3	8,377	980
B. Current assets		**137,492**	**117,403**
1. Inventories		0	0
2. Trade and other receivables	21	937	1,927
3. Income tax receivable		0	0
4. Current financial assets	19	132,272	101,347
5. Cash and cash equivalents	23	4,196	14,044
6. Current prepayments and accrued income	22	87	85
C. Non-current assets classified as held for sale		**0**	**0**
Total assets		**799,818**	**944,330**
Equity and liabilities			
A. Equity		**740,492**	**748,768**
1. Share capital	25.1	447,558	447,558
2. Balance of called-up share capital not paid		0	0
3. Reserve funds	25.2	298,102	308,747
4. Other reserve funds		0	0
5. Other capital	25.3	3,108	3,108
6. Retained profit / losses not covered		(8,276)	(10,645)
B. Non-current liabilities		**27,355**	**119,130**
1. Non-current financial liabilities	26	27,336	119,111
2. Provisions	27	19	19
3. Deferred tax liability	13.3	0	0
C. Current liabilities		**31,971**	**76,432**
1. Current financial liabilities	26	25,217	68,927
2. Current trade and other payables	28.1	5,271	6,211
3. Income tax payable		1,210	560
4. Provisions	27	0	0
5. Accrued expenses and revenue	29	273	734
Total equity and liabilities		**799,818**	**944,330**

STATEMENT OF COMPREHENSIVE INCOME
for year ended December 31st 2009 (in PLN '000)

	Note	Year ended December 31st 2009	Year ended December 31st 2008
Operating activity			
Sales revenue	12.1	**2,646**	**9,415**
Revenue on sales of services		2,646	9,415
Cost of sales	12.2	**(5,092)**	**(6,457)**
Pre-tax profit on sales		**(2,446)**	**2,958**
Gain (loss) on disposal of non-current non-financial assets		(27)	3
Revaluation of non-current non-financial assets		0	0
Selling and distribution costs		0	0
General administrative expenses	12.2	(1,661)	(5,023)
Other operating income	12.5	125	57
Other operating expenses	12.6	(49)	(93)
Operating profit (loss)		**(4,058)**	**(2,098)**
Financial income	12.7	36,346	33,648
Financial expenses	12.8	(44,491)	(36,972)
Pre-tax profit (loss)		**(12,203)**	**(5,422)**
Corporate income tax (tax expense)	13.1	3,927	(5,223)
Net profit on business activities		**(8,276)**	**(10,645)**
Discontinued operations			
Profit (loss) on discontinued operations for the business year		0	0
Net profit (loss)		**(8,276)**	**(10,645)**
Other comprehensive income			
Other components of comprehensive income		0	0
Income tax relating to other components of comprehensive income		0	0
Other comprehensive income for the year, net value		**0**	**0**
Total comprehensive income for the year		**(8,276)**	**(10,645)**
Basic profit per share for the year	14	**(0,02)**	**(0,02)**
Diluted profit per share for the year		**(0,02)**	**(0,02)**

CASH-FLOW STATEMENT
for year ended December 31st 2009 (in PLN '000)

	Note	Year ended December 31st 2009	Year ended December 31st 2008
A. Cash flows from operating activities			
I. Pre-tax loss		**(12,203)**	**(5,422)**
II. Total adjustments		**6,702**	**12,902**
1. Depreciation and amortisation		1,098	1,689
2. Foreign exchange gains (losses)		0	(45)
3. Interest and distributions from profit (dividends)		(31,822)	(19,286)
4. Profit (loss) on investing activities		(519)	(4)
5. Change in provisions		0	(5)
6. Change in prepayments for land purchases		0	9,018
7. Change in receivables		990	1,807
8. Change in current liabilities (net of loans and borrowings)		(940)	81
9. Change in accruals and deferrals		(463)	444
10. Corporate income tax		(2,820)	(3,941)
11. Other adjustments	24	41,603	23,735
III. Net cash provided by (used in) operating activities (I±II)			**(5,501)**
B. Cash flows from investing activities			
I. Cash flows from investing activities		**68,086**	**36,815**
1. Sale of intangible assets and property, plant and equipment		83	14
2. Sale of investment property		0	0
3. Cash provided by financial assets		68,003	36,801
4. Other cash provided by investing activities		0	0
II. Cash used in investing activities		**(70,065)**	**(270,762)**
1. Acquisition of intangible assets and property, plant and equipment		(15)	(662)
2. Investment property		0	0
3. Cash used on financial assets		(70,050)	(270,100)
4. Other cash used in investing activities		0	0
III. Net cash provided by (used in) investing activities (I–II)		**(1,979)**	**(233,947)**
C. Cash flows from financing activities			
I. Cash provided by financing activities		**65,998**	**196,046**
1. Net proceeds from issue of shares and additional contributions to equity		0	1,000
2. Increase in loans and borrowings		48,998	95,000
3. Issue of debt securities		0	100,046
4. Other cash provided by financing activities		17,000	0
II. Cash used in financing activities		**(68,366)**	**(148,743)**
1. Repayment of loans and borrowings		0	(292,135)
2. Redemption of debt securities		(68,366)	(148,685)
3. Interest paid		0	0
4. Cost of share capital increase		0	(58)
5. Other cash used in financing activities		0	0

(in PLN '000)

III. Net cash provided by (used in) financing activities (I–I)		**(2,368)**	**47,303**
D. Total net cash flow (A.III±B.III±C.III)		(9,848)	(179,164)
E. Balance-sheet change in cash, including:		(9,848)	(179,164)
– foreign exchange change in cash			(45)
F. Cash at beginning of period		**14,044**	**193,163**
G. Cash at end of period (F±D)	23	**4,196**	**14,044**
- restricted cash		20	20

CHANGES IN EQUITY
for year ended December 31st 2009 (in PLN '000)

(PLN'000)	Note	Issued share capital	Balance of called-up share capital not paid	Reserve funds	Other reserve funds	Other capital	Retained profit / Uncovered losses	Total
		Capital allocated to the shareholders of the Issuer						
As at January 1st 2009		**447,558**	**0**	**308,747**	**0**	**3,108**	**(10,645)**	**748,768**
Coverage of loss for 2008 from reserve funds	25.2	0	0	(10,645)	0	0	10,645	0
Total comprehensive income for 2009		0	0	0	0	0	(8,276)	(8,276)
As at December 31st 2009		**447,558**	**0**	**298,102**	**0**	**3,108**	**(8,276)**	**740,492**

(in PLN '000)

	Note	Capital allocated to the shareholders of the Issuer						
		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 2008		**446,558**	**0**	**306,976**	**0**	**3,108**	**1,829**	**758,471**
Registration of series I shares		1,000	0	0	0	0	0	1,000
Costs of share issues	25.2	0	0	(58)	0	0	0	(58)
Allocation of the profit for 2007 to reserve funds	25.2	0	0	1,829	0	0	(1,829)	0
Total comprehensive income for 2008		0	0	0	0	0	(10,645)	(10,645)
As at December 31st 2008		**447,558**	**0**	**308,747**	**0**	**3,108**	**(10,645)**	**748,768**

ACCOUNTING RULES (POLICIES) AND ADDITIONAL EXPLANATORY NOTES

1. General information

LC Corp S.A. ("the Issuer", "the Company") was established by virtue of the Notarial Deed dated March 3rd 2006. The Company's registered office is situated in Wrocław, Poland, in ul. Powstańców Śląskich 2-4. The Company 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 Company was established for an indefinite period. The Company's primary activity is:

- PKD 7415Z Activities of holding companies

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

2. Approval of the financial statements

The Company also prepared financial statements for the year ended December 31st 2009 which were approved for publication by the Management Board on March 12th 2010.

3. Composition of the Management Board of the Company

As at December 31st 2009, the Management Board of LC Corp comprised:

- President – Dariusz Niedośpiał
- Member of the Board – Waldemar Czarnecki
- Member of the Board – Joanna Jaskólska

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

As at January 1st 2009, the Management Board of LC Corp comprised:

- President – Dariusz Niedośpiał
- First Vice-President - Dariusz Karwacki
- Vice-President - Waldemar Horbacki
- Member of the Board – Waldemar Czarnecki

As of March 31st 2009 the mandates of Mr Dariusz Karwacki and Mr Waldemar Horbacki as Members of the Management Board expired, in connection with the GM approving the financial statements for the previous full financial year.

As of December 11th 2009, the Issuer's Supervisory Board under its Resolution No. 5 appointed Ms. Joanna Jaskólska to the position of Member of the Management Board.

(in PLN '000)

4. Approval of the financial statements

These financial statements were approved for publication by the Management Board on March 12th 2010.

5. Investments of the Company

The Company holds shares in the following subsidiaries:

Company name	Registered office	December 31st 2009 Share in capital	December 31st 2008 Share in capital
Arkady Wrocławskie S.A	Wrocław	100%	100%
LC Corp Sky Tower sp. z o.o	Wrocław	- (**)	0% (*)
Katowice Ceglana sp. z o.o.	Wrocław	99.997%	99.997%
Vratislavia Residence sp. z o.o.	Wrocław	100%	100%
LC Corp Dębowa Ostoja sp. z o.o.	Wrocław	100%	100%
LC Corp Pustynna sp. z o.o.	Wrocław	100%	100%
LC Corp Stabłowice sp. z o.o.	Wrocław	100%	100%
LC Corp Bajkowy Park sp. z o.o.	Wrocław	100%	100%
LC Corp Szmaragdowe Wzgórze sp. z o.o.	Wrocław	100%	100%
Warszawa Przy Promenadzie sp. z o.o.	Wrocław	100%	100%
Warszawa Przy Promenadzie sp. z o.o. sp. k.	Wrocław	100% (indirectly and directly)	100% (indirectly and directly)
Warszawa Przyokopowa sp. z o.o.	Wrocław	81.67 %	81.67 %
Warszawa Rezydencja Kaliska sp. z o.o.	Wrocław	100%	100%
Kraków Zielony Złocień sp. z o.o.	Wrocław	100%	100%
LC Corp Osiedle Pustynna Sp. z o.o. (***)	Wrocław	100%	100%

As at December 31st 2009 and December 31st 2008 the Issuer's share in the total vote in subsidiary entities equals its share in the share capital of these entities, except for shares in LC Corp Sky Tower Sp. z o.o.

(*) On November 2nd 2008, the Issuer, under a share disposal agreement, sold 118,998 (one hundred eighteen thousand nine hundred ninety-eight) shares of LC Corp Sky Tower Sp. z o.o. with its seat in Wrocław (being a subsidiary of the Issuer until the disposal date), of PLN 1,000 per share, with a total par value of PLN 118,998,000.00 (one hundred eighteen million nine hundred ninety eight thousand), to LC Corp B.V. of Amsterdam, for a total price of PLN 118,998,000.00 (one hundred eighteen million nine hundred ninety eight thousand). Under the agreement and until February 15th 2010, the Issuer was entitled to unilaterally repurchase all the shares at a price of PLN 118,998,000 (one hundred eighteen million nine hundred ninety eight thousand), increased by arm's length interest. In addition, LC Corp B.V. undertook to provide LC Corp Sky Tower Sp. z o.o. with the means up to PLN 170,000,000 (one hundred seventy million), which the Company needs to pay all its liabilities towards the Issuer and its subsidiary - Warszawa Przyokopowa Sp. z o.o.

Pursuant to IAS 27 and IAS 39, the conditions for the transfer of benefits, risks and control from LC Corp SA to LC Corp B.V. were not met. As a result, the Issuer as at December 31st 2008 disclosed the shares of LC Corp Sky Tower Sp. z o.o. in the separate (non-consolidated) financial statements, and net assets of that company in the consolidated financial statements of the LC Corp Group. The cash obtained from the share disposal is disclosed as financial liability valued at amortized cost.

(**) On November 30th 2009 LC Corp Sky Tower Sp. z o.o. ceased to be a subsidiary (controlled) undertaking of the Issuer, due to the conclusion of:

1) on November 30th 2009 – an annexe to the Agreement on sale of shares of November 2nd 2008, entered into between LC Corp S.A. and LC Corp B.V., with its registered office in Amsterdam, under which all provisions regarding the right of repurchase of 103,998 shares of LC Corp Sky Tower Sp. z o.o. were repealed as were the provisions regarding the right to control the operations of LC Corp Sky Tower Sp. z o.o., which consisted in the necessity to obtain by LC Corp B.V. the consent from LC Corp S.A. to incurring obligations and disposing of assets by LC Corp Sky Tower Sp. z o.o.,
2) on November 30th 2009 – an agreement terminating the arrangement of January 14th 2009, made with Mr Leszek Czarnecki regarding the right of LC Corp S.A. to repurchase 15,000 shares of LC Corp Sky Tower Sp. z o.o., having the par value of PLN 1,000 each and the total par value of PLN 15,000,000, and the necessity of obtaining by Mr Leszek Czarnecki the consent from LC Corp S.A. to incurring financial obligations, disposing of assets or encumbering them by LC Corp Sky Tower Sp. z o.o.

As at December 31st 2009 LC Corp Sky Tower Sp. z o.o. was not a part of the LC Corp Group.

(***) until October 21st 2009 operating as Łódź Pustynna Sp. z o.o.

6. Significant values based on professional judgement and estimates

Professional judgement

In the process of applying accounting rules (policy) in relation to the issues listed below, the biggest significance, apart from accounting estimates, had professional judgement of the management.

Uncertainty of estimates

Below are discussed the basic assumptions concerning the future and other key sources of uncertainty occurring as at the end of the reporting period, 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 Company 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.

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.

Valuation allowances for inventories

As at end of each reporting period, the Management Board estimates if there is any evidence pointing to a loss of value of its property development investments under completion. The value in use was evaluated by means of the DCF method, which is based on discounted cash flows generated within approved investment schedules and revenues from sales of flats, allowing for the sale price of 1 square metre of usable floor space, in accordance with the current market situation. The discount rate allows for the weighted average cost of capital (WACC).

The recoverable value of inventories and the value of the valuation allowances for inventories are estimated as at December 31st 2009 and may be subject to change depending on the fluctuation of the sale price of flats, project completion schedules and discount rate calculations. The actual results may vary from these estimates which were calculated on the grounds of data available as at the reporting date. It applies in particular to the projects whose commencement has been planned for 2010 at the latest. Their completion depends on obtaining the relevant administrative decisions or coming into force of the local land use plans, providing the basis for the parameters adopted in these investment models and the formulation of final concepts for these projects, taking account of the local factors. It is also related to the uncertainty regarding the proper estimation of the market conditions in the following years.

Depreciation rates

The rates of depreciation are established on the grounds of the expected economic useful life of items of property, plant and equipment and intangible assets.

In the period ended December 31st 2009, the Company verified the initially adopted periods of economic useful life of tangible assets and intangible assets, and based on that, it changed the estimated economic useful life for these items for which the periods of economic useful life diverged materially from the initially adopted periods. Depreciation allowances for the new rates established as a result of verifying of the economic useful life have been used since the beginning of the financial year.

The table below shows the change of estimates as at December 31st 2009 and as at December 31st 2008.

	December 31st 2009	December 31st 2008
Deferred tax asset	8,376	980
Provisions	19	19
Depreciation	673	1,098
Valuation allowances for assets	65,304	23,700

7. Basis for the preparation of the financial statements

These financial statements were prepared for the year ended December 31st 2009. As comparable date the Company discloses figures for the period of 12 months ended December 31st 2008 and as at December 31st 2008.

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

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

7.1. Declaration of compliance

The enclosed financial statements of LC Corp SA were prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS approved by the EU.

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 Company'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 Company.

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

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

The currency of the measurement of the Issuer and the currency of these financial statements is Polish zloty.

8. Changes in accounting rules

The accounting principles and policies adopted for preparation of these financial statements are coherent with the principles described in the financial statements of the LC Corp for the year ended December 31st 2008, except for new or changed IFRS and IFRIC interpretations effective for the annual periods beginning on January 1st 2009.

1) IFRS 8 *Operating Segments*, which upon its coming into force replaced IAS 14 Segment Reporting. In this Standard, for the purpose of identification and measurement of the results of operating segments subject to reporting, the treatment consistent with the management approach was adopted. Data concerning the operating segments, compliant with IFRS 8, have been presented in Note 11.
2) IAS 1 *Presentation of Financial Statements* (revised in September 2007) – this Standard introduced the distinction between the changes in equity resulting from the transactions with the owners and those resulting from other transactions. In connection with the above the statement of changes in equity details only the transaction with the owners, whereas all other changes in equity are presented in one line. Furthermore, the Standard introduces a statement of comprehensive income which includes all revenue and cost items recognised in the profit or loss as well as all other recognised income and expense items, whereby it is possible to present all these items together in a single statement or to present two interconnected statements. The Company chose to present all items together in a single statement.
3) IAS 23 *Borrowing Costs* (revised in March 2007) – the revised Standard requires the recognition of borrowing costs related to acquisition, construction or production of an adapted asset as an element of its purchase price or production cost. The application of the revised Standard did not affect the Company's financial situation or its operating results, as the Company used an alternative approach and capitalized borrowing costs.
4) Amendment to IFRS 2 *Share-Based Payment: Vesting Conditions and Cancellations* – this Amendment defines precisely the vesting condition and describes the accounting treatment of a cancellation of the right to awards. The application of this Amendment did not affect the Company's financial situation or its operating results, as there were no events to which this Amendment could apply.
5) Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation* – these Amendments introduce a limited exemption concerning the instruments with a put option, which can be classified as a capital component, provided a number of specific conditions have been met. The application of this Amendment did not affect the Company's financial situation or its operating results, as the Company did not issue such instruments.
6) IFRIC Interpretation 13 *Customer Loyalty Programmes* – the Interpretation requires to disclose loyalty points as a separate component of a sales transaction, under which they were awarded. The

application of this Interpretation did not affect the Company's financial situation or its operating results, as the Company does not have any loyalty programmes.

7) Amendments resulting from the annual IFRS review, published in May 2008, did not have any significant impact on these financial statements.
8) Amendments to IFRS 1 *First Time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements*: *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* – in accordance with the Amendment to IFRS 1, the entity adopting IFRS for the first time will be able to "measure", in its separate financial statement, the cost of investment in subsidiaries, jointly controlled entities or associates in compliance with IAS 27 or on the basis of the assumed cost. The Amendment to IAS 27 requires to recognise all dividends received from a subsidiary, jointly controlled entity or associate in the dominant entity's separate financial statement, in a statement of comprehensive income. The Amendment to IAS 27 is applied on a prospective basis. New requirements concern only separate financial statements of the dominant entity and will not affect consolidated financial statements.
9) IFRIC Interpretation 12 *Service Concession Arrangements* – the Interpretation is applicable to service concession operators and explains how to account for the obligations and rights arising from such arrangements. The Interpretation does not effect the Company's financial statements as the Company is not a service concession operator.
10) Amendment to IFRS 7 *Financial Instruments: Disclosures* – the revised Standard imposes an obligation to disclose additional information about fair value measurements and the liquidity risk. For each class of financial instruments measured at fair value the information about the valuation should be disclosed by employing a fair value hierarchy, which accounts for the significance of valuation inputs. Furthermore, for fair value measurements classified as Level 3 of a fair value hierarchy it is necessary to disclose the reconciliation between the opening balance and the closing balance. It is also necessary to disclose all significant shifts between Level 1 and Level 2 of a fair value hierarchy. The Amendment specifies also in detail the requirements concerning the disclosure of information about the liquidity risk. The Amendment concerning the disclosure of information about the liquidity risk did not have a significant impact on the relevant information presented so far by the Company.
11) IFRIC Interpretation 15 *Agreements for the Construction of Real Estate* – defines how and when to recognise the revenue from the sale of real estate and the related cost, if the agreement between the property developer and the buyer was concluded before the construction of real estate has been completed. The Interpretation provides also the guidance on how to determine whether an agreement falls within the scope of IAS 11 or IAS 18. The application of IFRIC 15 did not affect the financial statements, because the Company runs no such operations.
12) IFRIC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* – the Interpretation includes the guidance on accounting for the hedge of a net investment in a foreign operation, and in particular it provides the guidance on: identification of foreign currency exposure eligible for hedge accounting as the hedge of a net investment, establishing of the entity in the group's structure which holds hedging instruments, and determination by the entity of the amount of a foreign exchange gain or loss, concerning both the net investment and the hedging instrument, which should be reclassified from equity to a statement of comprehensive income at the time of disposal of the foreign operation. The application of IFRIC 16 will not have any influence on the financial statements, since the Company does not hedge any net investment in a foreign operation.
13) IFRIC Interpretation 18 *Transfers of Assets from Customers* – the Interpretation presents the guidance on recognising assets received from a customer and used for rendering services for such customer. The Interpretation applies to transactions which were effected on July 1st 2009 or thereafter. The application of IFRIC 18 will have no bearing on the consolidated financial statements, as the Company did not receive any assets from customers or any funds intended for the construction of such type of assets.
14) Amendment to IFRIC Interpretation 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement: Embedded Derivatives* – the Amendment introduces the requirement to assess whether the embedded instrument has to be separately accounted for upon reclassification of a hybrid financial instrument from the category of financial assets measured at fair value through profit or loss. The assessment is made on the basis of the conditions which occurred at the later of: the date when the entity became a party to a contract for the first time and

the date when modifications to the contract caused significant changes in the cash flows resulting from such contract. At present IAS 39 requires to classify the entire hybrid instrument as a financial instrument measured at fair value through profit or loss in the event the embedded derivative cannot be reliably measured. The application of the Amendment will not affect the consolidated financial statements, because the Company did not make any reclassifications from the category of financial assets measured at fair value through profit or loss and it does not hold any hybrid financial instruments for which it would not be possible to obtain a reliable measurement of an embedded derivative.

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

The following standards and interpretations were published by IASB or IFRIC, but were not effective.

1) IFRS 3 *Business Combinations* (amended in January 2008) – applicable to annual periods starting as at July 1st 2009 or thereafter,
2) IAS 27 *Consolidated and Separate Financial Statements* (amended in January 2008) – applicable to annual periods starting as at July 1st 2009 or thereafter,
3) Amendment to IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items* (amendment published in July 2008) – applicable to annual periods starting as at July 1st 2009 or thereafter,
4) Revised IFRS 1 *First Time Adoption of International Financial Reporting Standards* (amended in November 2008) – applicable to annual periods starting as at July 1st 2009 or thereafter,
5) IFRIC Interpretation 17 *Distribution of Non-Cash Assets to Owners* – applicable to annual periods starting as at July 1st 2009 or thereafter
6) Amendments resulting from the IFRS review (published in April 2009) – a part of the amendments is applicable to annual periods starting as at July 1st 2009, and a part for annual periods starting as at January 1st 2010 – by the date of approving these financial statements they had not been approved by the EU.
7) Amendment to IFRS 2 *Share-Based Payments: Group Cash-Settled Share-Based Payment Transactions* (amended in June 2009) – applicable to annual periods starting as at January 1st 2010 or thereafter; by the date of approving these financial statements not approved by the EU,
8) Amendment to IFRS 1 *First-Time Adoption of International Financial Reporting Standards: Additional Exemptions for First-Time Adopters* – applicable to annual periods starting as at January 1st 2010 or thereafter; by the date of approving these financial statements not approved by the EU,
9) Amendment to IAS 32 *Financial Instruments: Presentation: Classification of Rights Issues* – applicable to annual periods starting as at February 1st 2010 or thereafter,
10) IAS 24 *Related Party Disclosures* (amended in November 2009) – applicable to annual periods starting as at January 1st 2011 or thereafter; by the date of approving these financial statements not approved by the EU,
11) IFRS 9 *Financial Instruments* – applicable to annual periods starting as at January 1st 2013 or thereafter; by the date of approving these financial statements not approved by the EU,
12) Amendments to IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction: Prepayments of a Minimum Funding Requirement* – applicable to annual periods starting as at January 1st 2011 or thereafter; by the date of approving these financial statements not approved by the EU,
13) IFRIC 19 *Extinguishing Financial Liabilities with Equity* – applicable to annual periods starting as at July 1st 2010 or thereafter; by the date of approving these financial statements not approved by the EU,

(in PLN '000)

14) Amendment to IFRS 1 *First-Time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters* – applicable to annual periods starting as at July 1st 2010 or thereafter; by the date of approving these financial statements not approved by the EU.

The Company intends to implement the above-mentioned standards and interpretations for the annual periods they apply to, respectively.

10. Significant accounting principles

10.1. Non-current assets

Non-current assets include:

- land (including the right of perpetual usufruct) which is not investment property or investment property under construction or inventories,
- 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.

As at December 31st 2009 and December 31st 2008 the Company did not own land or the right of perpetual usufruct to land classified as tangible assets.

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 statement of comprehensive income 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 statement of financial position 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 statement of financial position (calculated as a difference between potential net proceeds from sales and the balance-sheet value of a given item) are disclosed in the profit or loss 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.

10.2. 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 are disclosed as non-current assets under construction up to the time they are handed over to use.

10.3. 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 statement of financial position 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 statement of comprehensive income in the period when they arose.

Investment property is removed from the statement of financial position 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 statement of financial position 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 or conclusion of a contract of operating lease. However, if an asset is used by the owner - the Company, it becomes an investment property. The Company 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 statement of comprehensive income. When the Company 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 statement of comprehensive income 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.

10.4. Investment property under construction

As of January 1st 2009 in accordance with the amended IAS 40, the Company discloses as "Investment property" also property under construction which will be used in the future as investment property (until December 31st 2008 disclosed as non-current assets under construction).

For investment properties, the Company uses a valuation model for fair value, hence investment properties under construction will be measured at this value. However, in the case when the fair value of an investment property under construction cannot be reliably assessed, it is measured using the historical cost model, until one of two dates, whichever is earlier: date of completing the building process or the time when the fair value can be reliably assessed. 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.

10.5. 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, liabilities and contingent liabilities. 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.

10.6. 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 Company 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 statement of comprehensive income 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.

As at December 31st 2009 and as at December 31st 2008 there were no intangible assets of indefinite period of use. Summary of the rules applied in relation to intangible assets of the Company 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 of amortization	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 statement of financial position 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 statement of comprehensive income at the time of their derecognition.

10.7. Recoverable value of non-current non-financial assets

At the end of each reporting period, the Company assesses whether there is any objective evidence that the assets are impaired. If any such evidence exists, the Company 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.

At each balance-sheet date, the Company assesses whether there is any objective evidence that the impairment allowance which was disclosed in previous periods in relation to a given asset is unnecessary or if it should be diminished. If any such evidence exists, the Company assesses the recoverable value of this asset. The previously disclosed impairment allowance is reversed only when, from the time of the last valuation allowance, there was a change of the estimated values used to establish the recoverable value of a given asset. In this case, the balance-sheet value of the asset is increased to its recoverable value. The increased amount cannot exceed the balance-sheet value of the asset which would be established (after deducting depreciation) if in the previous years the impairment allowance was not disclosed at all in relation to this asset. Reversal of the impairment allowance of an asset is disclosed immediately as income in the profit and loss account. After the reversal of the impairment allowance, in the next periods the depreciation allowance concerning a given asset is adjusted in a way that makes it possible, during the rest of the period of use of this asset, to make systematic allowances of its verified balance-sheet value less the end value.

10.8. 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.

10.9. 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 statement of comprehensive income 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.

10.10. Cash and cash equivalents

Cash and short-term deposits shown in the statement of financial position 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 statement of comprehensive income.

10.11. 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 end of reporting period.

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 end of reporting period. Changes in these instruments are recorded in the statement of comprehensive income. Derivatives are also classified as held for trading unless 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 the current balance-sheet day no financial assets were classified to the category of value at fair value through profit and loss.

As at December 31st 2009 and as at December 31st 2008 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 end of reporting period. Originating loans and receivables with tenor exceeding 12 months from the end of the reporting period 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 end of the reporting period. 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 statement of comprehensive income.

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.

The Amendment to IAS 27 requires to recognise all shares in subsidiaries at purchase price less accumulated impairment allowances.

10.12. 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.

As at December 31st 2008 and as at December 31st 2008 there were no embedded derivatives.

10.13. 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 as profit or loss. 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 as profit or loss. If adjustment is made to the balance-sheet value of a hedged interest-bearing financial instrument, the adjustment is charged to the net financial result 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 in other comprehensive income and accumulated in the equity are transferred to the statement of comprehensive income 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 in other comprehensive income, are reclassified from equity 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 Company 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, disclosed in other comprehensive income and accumulated in the equity, continues to be recognized in the equity 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 equity is posted to the profit and loss account for the current reporting period.

In the year ended December 31st 2009 and the year ended December 31st 2008, the Group did not apply hedge accounting.

10.14. Financial liabilities

Accounts payable are valued at the amounts initially invoiced.

Financial liabilities classified to the group valued at fair value, and other financial liabilities are valued at amortized cost using effective interest rate method.

10.15. 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 statement of comprehensive income at the moment of liability removal from the statement of financial position, and when calculating the payment using effective interest rate method.

10.16. Provisions

Provisions are recognized when the Company 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 liability results.

Costs relating to a specified provision are disclosed in the statement of comprehensive income, 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.

10.17. Retirement benefits

Under the Company'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 Company 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 as at the end of each reporting period by an independent actuary. The accumulated liabilities equal discounted future payments, considering employee rotation, and relate to the period up to the end of the reporting period. Demographic data and information on employee rotation are based on historical records. Actuarial gains and losses are recognized in the statement of comprehensive income.

10.18. Share-based remuneration

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

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 as at the end of each reporting period 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.

10.19. Own shares

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

10.20. Equity

Equity consists of:

- share capital
- reserve funds
- other capital reserves
- other capital

Equity is valued according to its par value compliant with the articles of association. Reserve funds are valued as excess of the issue price over the par value of the shares, less costs associated with the share issue and they are increased/decreased by approved profits/losses from previous years together with consolidation adjustments of these profits/losses. Other capital reserves are valued at the amount of revaluation to fair value of the purchase of the significant asset less deferred tax. Other capital is valued at fair value of granted management options.

(in PLN '000)

10.21. Valuation of assets and liabilities expressed in foreign currencies

As at the end of the reporting period:

assets and liabilities denominated in foreign currencies 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 2009	December 31st 2008
EURO	41,082	41,724
USD	28,503	29,618

10.22. 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 statement of financial position, but described in additional information and explanatory notes to the financial statements.

10.23. 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.

10.23.1 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.

Revenues on the sale of flats

Revenues on the sale of flats and retail units 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. In compliance with IAS 18 the Company recognizes income on the sales of flats and service units the moment their ownership is transferred by way of notarial deed, after the building is completed and occupancy permit granted.

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 statement of comprehensive income in the period when the sale of a given flat took place.

10.23.2 Sale of services

Rental revenues

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

10.23.3 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.

10.23.4 Dividends

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

10.24. Current tax

Liabilities and receivables by virtue of current tax for the current period and previous periods are valued in the amounts of predicted payment for the benefit of tax authorities (recoverable from tax authorities) using tax rates and tax regulations which were legally or actually effective as at the end of the reporting period.

10.25. Deferred 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 end of the reporting period 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 statement of financial position 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 the end of each reporting period 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 as at the end of the reporting period, or ones whose enforcement in the future is certain as at the end of the reporting period.

The income tax relating to the items directly recorded in equity is recorded in equity and not in the statement of comprehensive income.

10.26. Value added tax

Revenues, expenses, assets and liabilities disclosed less the value added tax, except:

- when the value added tax paid at the acquisition of assets or services is not recoverable from the tax authorities; it is then disclosed adequately as part of the acquisition price of an asset or part of a cost item, and
- receivables and liabilities which are disclosed allowing for the amount of the value added tax.

Net amount of value added tax recoverable or payable for the benefit of the tax authorities is disclosed in the statement of financial position as part of receivables or liabilities.

10.27. Borrowing costs

Subject to capitalization are borrowing costs allocated for financing the construction or production of tangible assets or investment properties and construction of flats presented as inventories – work in process. These costs comprise 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. The actual interest rate attributed to a given asset is used to determine the amount of capitalized costs.

10.28. Prepayments

During a given 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.

10.29. Accrued expenses

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

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:

(in PLN '000)

- 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.

10.30. Net profit per share

Basic profit/(loss) per share is calculated by dividing net profit by average weighted number of issued ordinary shares occurring during a reporting period.

Diluted profit/(loss) per share is calculated by dividing net profit for the period attributable to ordinary shareholders of the Issuer (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).

11. Information on segments of activity

The only business of the Company is holding activity consisting in providing holding services to its subsidiaries. The Company operates within the territory of Poland.

In the tables below, data concerning revenues and profits as well as assets and liabilities of the individual business segment have been provided for the year ended December 31st 2009 and the year ended December 31st 2008.

Holding activity	Year ended December 31st 2009	Year ended December 31st 2008
Revenue		
Sales to external customers	32	41
Inter-segmental sales	2,613	9,374
Total sales revenue	2,645	9,415
Pre-tax profit (loss) on sales	(2,451)	2,959

	As at December 31st 2009	As at December 31st 2008
Assets and liabilities		
Total assets	799,818	967,049
Total liabilities	59,326	198,210

12. Revenues and Expenses

12.1. Revenues

	Year ended December 31st 2009	Year ended December 31st 2008
Revenue on the sale of services to Group companies	2,527	9,207
Other	119	208
Total	**2,646**	**9,415**

(in PLN '000)

12.2. Expenses by type

	Year ended December 31st 2009	Year ended December 31st 2008
Depreciation	673	1,098
Consumption of materials and energy	194	266
Contracted services	1,654	2,652
Taxes and charges	32	498
Salaries and wages	3,626	5,791
Social security and other benefits	436	675
Other costs by type	138	500
Total	**6,753**	**11,480**

	Year ended December 31st 2009	Year ended December 31st 2008
Cost of sales	5,092	6,457
Selling and distribution costs	0	0
General administrative expenses	1,661	5,023
Total	**6,753**	**11,480**

12.3. Depreciation costs and valuation allowance disclosed in the statement of comprehensive income

	Year ended December 31st 2009	Year ended December 31st 2008
Items disclosed in the cost of sales:	**587**	**980**
Depreciation of non-current assets	377	434
Depreciation of intangible assets	210	546
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:	**86**	**118**
Depreciation of non-current assets	86	117
Depreciation of intangible assets	0	1

(in PLN '000)

12.4. Costs of employee benefits

	Year ended December 31st 2009	Year ended December 31st 2008
Salaries and wages	3,626	5,791
Costs of social security	363	568
Costs of retirement benefits	0	0
Other post-employment benefits	0	0
Costs of share-based remuneration scheme	0	0
Other benefits	73	107
Total costs of employee benefits, including :	**4,062**	**6,466**
Items displayed in the cost of sales	3,066	3,367
Items displayed in the selling costs	0	0
Items displayed in the general administrative expenses	996	3,099

12.5. Other operating income

	Year ended December 31st 2009	Year ended December 31st 2008
Received damages	38	14
Other	87	43
Total	**125**	**57**

12.6. Other operating expenses

	Year ended December 31st 2009	Year ended December 31st 2008
Paid damages	0	37
Other	49	56
Total	**49**	**93**

12.7. Financial income

	Year ended December 31st 2009	Year ended December 31st 2008
Bank interest received	1,097	1,930
Interest from loans	16,049	31,664
Income from discounting bonds and bills	1,655	0
Profit on disposal of shares	545	0
Share in profit of subsidiary	17,000	0
Other	0	54
Total	**36,346**	**33,648**

(in PLN '000)

12.8. Financial expenses

	Year ended December 31st 2009	Year ended December 31st 2008
Interest on bonds and loans	2,881	12,432
Valuation allowance for shares and loans	41,604	23,700
Negative foreign exchange differences surplus	0	152
Other	6	688
Total	**44,491**	**36,972**

13. Income tax

13.1. Tax expense

The main elements of tax expense for year ended December 31st 2009 and December 31st 2008 are as follows:

	Year ended December 31st 2009	Year ended December 31st 2008
Statement of Comprehensive Income		
Current income tax		
Current income tax expense	(3,470)	(4,647)
Adjustments of the current income tax from previous years		0
Deferred income tax		
Timing differences and their reversal	7,397	(576)
Tax expense reported in Statement of Comprehensive Income	**3,927**	**(5,223)**

13.2. 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 Company for year ended December 31st 2009 and December 31st 2008 is as follows:

	Year ended December 31st 2009	Year ended December 31st 2008
Gross profit /(loss) before tax on continued operations	(12,203)	(5,422)
Profit /(loss) before tax on discontinued operations	0	0
Gross profit /(loss) before tax	**(12,203)**	**(5,422)**
Tax according to the statutory tax rate binding in Poland: 19% (2008: 19%)	(2,319)	(1,030)
Non-tax-deductible costs	3,289	923
Revenues excluded from tax	(3,230)	0

(in PLN '000)

Share in profit of ltd company	(1,669)	5,549
Cost of capital increase disclosed in share capital decreasing tax base in the current tax account	0	(11)
Undisclosed tax loss	0	(211)
Other	2	3
Tax according to the effective tax rate 32%	**(3,927)**	**5,223**
Income tax (expense) reported in the statement of comprehensive income	3,927	(5,223)
Income tax attributed to discontinued operations	0	0
	3,927	**(5,223)**

13.3. Deferred income tax

Deferred income tax results from the following items:

	Statement of Financial Position		Statement of Comprehensive Income for year	
	December 31st 2009	**December 31st 2008**	**ended December 31st 2009**	**ended December 31st 2008**
Deferred tax liability				
Interest calculated (but unpaid) on loans and deposits	(6,413)	(4,564)	(1,849)	(4,187)
Difference in value of non-current assets (tax and balance-sheet depreciation)	(82)	(35)	(47)	29
Gross deferred tax liability	**(6,495)**	**(4,599)**		
Deferred tax assets				
Share in profit of ltd company	5,691	0	5,691	0
Temporary provisions	69	224	(155)	123
Interest calculated, discounts on bonds	859	693	166	445
Difference in tax and balance-sheet value of other assets	0	104	(104)	104
Valuation allowance for shares	8,253	3,629	4,624	3,629
Losses that can be deducted from future taxable income	0	929	(929)	(719)
Gross deferred tax assets	**14,872**	**5,579**		
Deferred tax expense			**7,397**	**(579)**

(in PLN '000)

Net deferred tax asset	**8,377**	**980**

14. Profit per share

Basic profit/(loss) per share is calculated by dividing net profit attributable to ordinary shareholders of the Issuer 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 Issuer (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:

	Year ended December 31st 2009	**Year ended December 31st 2008**
Average weighted number of issued ordinary shares used to calculate the basic profit per share	447,558,311	447,391,644
The impact of dilution:		
Options for shares	0	0
Adjusted average weighted number of issued ordinary shares used to calculate the basic profit per share	**447,558,311**	**447,391,644**

	Year ended December 31st 2009	**Year ended December 31st 2008**
Net profit/loss on continued operations	(8,276)	(10,645)
Profit/loss on discontinued operations	0	
Net profit/loss	(8,276)	(10,645)
Net profit attributable to ordinary shareholders, used to calculate profit per share	(8,276)	(10,645)
Net profit/loss per share in PLN	(0,02)	(0,02)
Net diluted profit/loss per share in PLN	(0,02)	(0,02)

15. Property, plant and equipment

Year ended December 31st 2009	**Land and buildings**	**Means of transport**	**Plant and equipment**	**Tangible assets under construction**	**Total**

Net value as at January 1st 2009	**25**	**714**	**407**	**0**	**1,146**
Increase – acquisition	0	0	0	8	8
Increase – other	0	0	1	0	1
Decrease - Sale	(21)	(80)	(7)	0	(108)
Depreciation allowance for the period	(3)	(207)	(252)	0	(462)
Valuation allowance	0	0	0	0	0
Net value as at December 31st 2009	**1**	**427**	**149**	**8**	**585**
As at January 1st 2009					
Gross value	30	1,166	957	0	2,153
Depreciation and impairment allowance	(5)	(452)	(550)	0	(1,007)
Net value	**25**	**714**	**407**	**0**	**1,146**
As at December 31st 2009					
Gross value	5	1,016	936	8	1,965
Depreciation and impairment allowance	(4)	(589)	(787)	0	(1,380)
Net value	**1**	**427**	**149**	**8**	**585**

Year ended December 31st 2008	**Land and buildings**	**Means of transport**	**Plant and equipment**	**Tangible assets under construction**	**Total**
Net value as at January 1st 2008	**22**	**802**	**528**	**674**	**2,026**
Increase – acquisition	0	0	0	298	298
Decrease - Sale	0	0	(10)	0	(10)
Decrease - Liquidation	0	0	(4)	0	(4)
Transfer from fixed assets under construction	7	136	216	(359)	0
Decrease - Other	0	0	0	(613)	(613)
Depreciation allowance for the financial year	(4)	(224)	(323)	0	(551)
Valuation allowance	0	0	0	0	0
Net value as at December 31st 2008	**25**	**714**	**407**	**0**	**1,146**
As at January 1st 2008					
Gross value	23	1,031	785	674	2,513
Depreciation and impairment allowance	(1)	(229)	(257)	0	(487)
Net value	**22**	**802**	**528**	**674**	**2,026**
As at December 31st 2008					
Gross value	30	1,166	957	0	2,153

Depreciation and impairment allowance	(5)	(452)	(550)	0	(1,007)
Net value	**25**	**714**	**407**	**0**	**1,146**

16. Intangible assets

Computer software and other	Year ended December 31st 2009	Year ended December 31st 2008
Net value as at January 1st	**856**	**426**
Increase - acquisition	7	364
Decrease (sale, liquidation, transfer)	(1)	0
Increase - other	0	613
Depreciation allowance for the period	(211)	(547)
Impairment allowance	0	0
As at December 31st	**651**	**856**
As at January 1st		
Gross value	1,551	574
Depreciation and impairment allowance	(695)	(148)
Net value	**856**	**426**
As at December 31st		
Gross value	1,555	1,551
Depreciation and impairment allowance	(904)	(695)
Net value	**651**	**856**

17. Non-current investments

Shares

As at December 31st 2009 and December 31st 2008 the Issuer held the following shares in subsidiary entities:

		Dec 31 2009		Dec 31 2008	
Company	**Seat**	**Balance-sheet value PLN'000**	**% in share capital**	**Balance-sheet value PLN'000**	**% in share capital**
Arkady Wrocławskie S.A	Wrocław	128,652	100%	128,652	100%
LC Corp Sky Tower sp. z o.o	Wrocław	-	- (**)	118,453	0% (*)

(in PLN '000)

Katowice Ceglana sp. z o.o	Wrocław	35,972	99.997%	35,972	99.997%
Vratislavia Residence sp. z o.o.	Wrocław	88,000	100%	88,000	100%
LC Corp Dębowa Ostoja sp. z o.o.	Wrocław	1,000	100%	1,000	100%
LC Corp Pustynna sp. z o.o.	Wrocław	50	100%	50	100%
LC Corp Stabłowice sp. z o.o.	Wrocław	23,000	100%	23,000	100%
LC Corp Bajkowy Park sp. z o.o.	Wrocław	1,000	100%	1,000	100%
LC Corp Szmaragdowe Wzgórze sp. z o.o.	Wrocław	13,500	100%	13,500	100%
LC Corp Osiedla Pustynna sp. z o.o.	Wrocław	8,000	100%	8,000	100%
Warszawa Przy Promenadzie sp. z o.o.	Wrocław	1,700	100%	1,700	100%
Warszawa Przy Promenadzie sp. z o.o. sp.k.	Wrocław	10	100% (indirectly and directly)	10	100% (indirectly and directly)
Warszawa Przyokopowa sp. z o.o.	Wrocław	21,366	81.67%	21,366	81.67%
Warszawa Rezydencja Kaliska sp. z o.o.	Wrocław	7,908	100%	7,908	100%
Kraków Zielony Złocień sp. z o.o.	Wrocław	11,000	100%	11,000	100%
Valuation allowance for shares		(43,434)		(19,100)	
Total balance-sheet value		**297,724**		**440,511**	

(*) (**) See Note 5.

The Management Board adjusted valuation allowances for the value of shares and loans to recoverable value. The total value of valuation allowances for the year ended December 31st 2009 was: for the shares - PLN 43,434,000, and for the loans - PLN 21,870,000 (See Note 18).

The value in use was evaluated by means of the DCF method, which is based on discounted cash flows generated within approved investment schedules and revenues from sales of flats, allowing for the sale price of 1 square metre of usable floor space, in accordance with the current market situation. The discount rate allows for the weighted average cost of capital (WACC).

The recoverable value of inventories and the value of the valuation allowances for inventories are estimated as at December 31st 2009 and may be subject to change depending on the fluctuation of the sale price of flats, project completion schedules and discount rate calculations. The actual results may vary from these estimates which were calculated on the grounds of data available as at the reporting date. It applies in particular to the projects whose commencement has been planned for 2010 at the latest. Their completion depends on obtaining the relevant administrative decisions or coming into force of the local land use plans, providing the basis for the parameters adopted in these investment models and the formulation of final concepts for these projects, taking account of the local factors. It is also related to the uncertainty regarding the proper estimation of the market conditions in the following years.

17.1 Investment properties

As at December 31st 2009 and December 31st 2008 the Issuer non-current investments in financial instruments:

	December 31st 2009	December 31st 2008
Investment notes	0	9,054
Total balance-sheet value	**0**	**9,054**

(in PLN '000)

18. Loans and non-current receivables

	December 31st 2009	December 31st 2008
Non-current loans (with calculated interest)	376,859	378,980
Valuation allowance for loans	(21,870)	(4,600)
Total	**354,989**	**374,380**

Within the year the Company advanced loans to its subsidiaries for financing investment projects.

19. Current financial assets

	December 31st 2009	December 31st 2008
Current loans (with calculated interest)	105,564	101,347
Investment notes	26,708	0
Total	**132,272**	**101,347**

20. Employee benefits

20.1. Staff incentive schemes

The Company has a Staff Incentive Scheme under which the members of the Company's management are granted options for shares.

The scheme involved a conditional increase in the 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 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 2009, and by the date these consolidated financial statements were disclosed, as well as in the year ended December 31st 2008, no options were granted under the incentive scheme due to macroeconomic situation.

21. Trade and other receivables

	December 31st 2009	December 31st 2008
Trade receivables	550	1,681
Budget receivables (without income tax)	220	0
Other receivables from third parties	167	246
Total receivables (net)	**937**	**1,927**

(in PLN '000)

Valuation allowance for receivables	0	0
Gross receivables	**937**	**1,927**

Below is presented an analysis of trade receivables, which as at December 31st 2009 and December 31st 2008 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 2009	550	301	3	6	9	231
December 31st 2008	1,681	728	441	512	0	0

22. Accrued expenses

	December 31st 2009	December 31st 2008
Non-current	**0**	**0**
Current		
Insurance	23	37
Other (insurance, subscriptions)	64	48
	87	**85**

23. Cash and cash equivalents

	December 31st 2009	December 31st 2008
Cash on hand and in a bank account	4,196	14,044
Short-term deposits	0	0
	4,196	**14,044**

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 Company's current demand for cash and bear interest according to interest rates established for them.

24. Explanations to the cash-flow statement

	December 31st 2009	December 31st 2008
Valuation allowances for shares and loans	41,604	23,700

Written-down receivables - inventorying	0	32
Value of liquidated/disclosed fixed assets	(1)	3
Other adjustments	**41,603**	**23,735**

25. Capital

25.1. Share capital

Share capital	**December 31st 2009 in PLN '000**	**December 31st 2008 in PLN '000**
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	102,000
Series G ordinary shares of par value PLN 1.00 per share	80,000	80,000
Series H ordinary shares of par value PLN 1.00 per share	58,433	58,433
Series I ordinary shares of par value PLN 1.00 per share	1,000	1 000
Series J ordinary shares of par value PLN 1.00 per share	57,000	57,000
	447,558	**447,558**

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.

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 2009:

Shareholder	Number of shares	Number of votes	Share % in share capital	Share % in vote at general meeting
Leszek Czarnecki directly and indirectly* including:	229,126,674	229,126,674	51.19%	51.19%
LC Corp B.V. seated in Amsterdam	214,701,110	214,701,110	47.97%	47.97%
ING Otwarty Fundusz Emerytalny	27,774,961	27,774,961	6.21%	6.21%

(in PLN '000)

AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK **	55,000,000	55,000,000	12.29%	12.29%

* Leszek Czarnecki directly holds 14,424,564 shares constituting 3.22% of the share capital and 3.22% share in the vote at the General Meeting, and indirectly through his subsidiary undertakings Leszek Czarnecki holds 214,702,110 shares constituting 47.97% of the share capital and 47.97% share in the vote at the General Meeting. Leszek Czarnecki's subsidiary undertaking is LC Corp. B.V seated in Amsterdam holding 214,601,110 shares constituting 47.97% of the share capital and 47.97% 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.

** Previously operating under the name Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK

As at December 31st 2008 the shareholders possessing, directly or indirectly through subsidiary undertakings, at least 5% of the total vote at the Issuer's general meeting were:

Shareholder	Number of shares	Number of votes	Share % in share capital	Share % in vote at general meeting
Leszek Czarnecki directly and indirectly* including:	229,126,674	229,126,674	51.19%	51.19%
LC Corp B.V. seated in Amsterdam	214,701,110	214,701,110	47.97%	47.97%
ING Nationale-Nederlanden Polska Otwarty Fundusz Emerytalny	27,774,961	27,774,961	6.21%	6.21%
Commercial Union Otwarty Fundusz Emerytalny BPH CU WBK	27,000,000	27,000,000	6.03%	6.03%

* Leszek Czarnecki directly holds 14,424,564 shares constituting 3.22% of the share capital and 3.22% share in the vote at the General Meeting, and indirectly through his subsidiary undertakings Leszek Czarnecki holds 214,702,110 shares constituting 47.97% of the share capital and 47.97% share in the vote at the General Meeting. Leszek Czarnecki's subsidiary undertaking is LC Corp. B.V seated in Amsterdam holding 214,601,110 shares constituting 47.97% of the share capital and 47.97% 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.

25.2. Reserve funds

As at December 31st 2009 reserve funds amount to PLN 298,102,000. They were created from the surplus of the issue value over the par value in the Issuer in the amount of PLN 321,452,000 less issue costs disclosed as decrease in the reserve funds in the amount of PLN 13,215,000 and to cover the loss of the Issuer from 2006 in the amount of PLN 1,319,000. Reserve funds were increased by the 2007 profit in the amount of PLN 1,829,000 and were decreased by the 2008 loss of PLN 10,645,000.

25.3. Other capital

In the year ended December 31st 2009 other capital of PLN 3,108,000 was created as a result of the valuation of fair value of management options in 2007.

26. Interest-bearing bank loans and borrowings

	Maturity	December 31st 2009	December 31st 2008
Non-current			

Bank loan	unspecified	27,306	25,000
Zero-coupon bonds	01-12-11	30	23,309
Payment resulting from sale of subsidiary undertaking (*) in PLN	-	0	70,802
		27,336	**119,111**
Current			
Bond Scheme	-	0	57,748
Zero-coupon bonds	30-10-10	25,217	10,229
Interest of bank loans	-	0	950
		25,217	**68,927**

In the year ended December 31st 2009, the average weighted interest of bank loans and bonds amounted to 6.7%. The average weighted interest of borrowings and bonds in 2008 amounted to 6.7 %.

27. Provisions

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

	2009	2008
As at January 1st	**19**	**24**
Provision creation	0	0
Use	0	0
Release of provisions	0	(5)
As at December 31st	**19**	**19**

	2009	2008
Provisions by type		
For retirement and disability severance payments, and death benefits	19	19
As at December 31st	**19**	**19**
Non-current	19	19

(in PLN '000)

Current	0	0

28. Liabilities

28.1. Trade and other payables

	December 31st 2009	December 31st 2008
Trade payables	151	727
Budget liabilities (without income tax)	87	452
Liabilities – payment to subsidiary's share capital	5,000	5,000
Other liabilities	33	32
	5,271	**6,211**

28.2. Contingent liabilities

Except for contingent liabilities in the form of the security for repayment of bank loans, as detailed in Note 33.3, the Company has no other undisclosed significant liabilities of that kind.

28.3. Investment liabilities

In 2010, the Company plans to incur no considerable expenditures on property, plant and equipment on investment property.

28.4. Court proceedings

Currently, no proceedings before court or public administration authorities have been initiated with regard to liabilities or receivables of LC Corp SA.

29. Accrued expenses and revenues

	December 31st 2009	December 31st 2008
Non-current	**0**	**0**
Current		
Liability due to employee benefits	23	453
Liability due to balance-sheet audit	153	48
Liability due to costs of holiday equivalents	97	233
	273	**734**

(in PLN '000)

30. Transactions with related undertakings

The following tables show total amounts of transactions concluded with related undertakings for the year ended December 31st 2009 and December 31st 2008:

Related undertaking		Sales to related undertakings	Purchases from related undertakings	Receivables from related undertakings	Liabilities to related undertakings	Loans and non-current receivables and current financial assets	Financial liabilities	Financial income (interest)	Financial expenses (interest, discounts)
Shareholders									
LC Corp B.V	2009	-	-	-	-	-	-	(*) 802	-
Leszek Czarnecki	2009	26	-	-	-	-	-	-	-
	2009								
Related undertaking	2009								
Arkady Wrocławskie S.A.	2009	834	683	232	5 000	-	-	-	-
LC Corp Sky Tower Sp. z o.o. (**)	2009	101	-	-	-	-	-	-	-
Katowice Ceglana Sp. z o.o.	2009	66	-	6	-	96,352	-	4,640	-
Vratislavia Residence Sp. z o.o.	2009	66	-	6	-	4,696	-	185	-
LC Corp Dębowa Ostoja Sp. z o.o.	2009	130	-	23	-	6,934	-	297	-
LC Corp Bajkowy Park Sp. z o.o.	2009	113	-	10	-	22,109	-	761	-
LC Corp Szmaragdowe Wzgórze Sp. z o.o.	2009	102	-	10	-	47,051	-	1,646	-
LC Corp Pustynna Sp. z o.o.	2009	30	-	32	-	-	-	-	-
LC Corp Stabłowice Sp. z o.o.	2009	121	-	232	-	67,161	-	2,449	-
LC Corp Osiedle Pustynna Sp.z o.o.	2009	101	-	13	-	17,668	-	693	-
Warszawa Przy Promenadzie Sp. zo.o. Sp. k	2009	818	37	85	-	38,557	-	2,526	-
Warszawa Przy Promenadzie Sp. z o.o.	2009	69	-	6	-	12,388	-	334	-
Warszawa Przyokopowa Sp. z o.o.	2009	69	-	6	-	4,732	52 524	382	3,400
Warszawa Rezydencja Kaliska Sp. z o.o.	2009	129	-	31	-	46,387	-	2,560	-
Kraków Zielony Złocień Sp. z o.o.	2009	84	-	6	-	61,136	-	1,907	-

(in PLN '000)

Undertakings related through shareholders									
LC Corp Sky Tower Sp. z o.o. (**)	2009	8	-	10	-	83,960	-	-	-
RB Computer Sp. z o.o.	2009	-	16	-	-	-	-	-	-
Getin Holding S.A.	2009	-	1	-	-	-	-	-	-
Getin Bank S.A.	2009	-	25	-	-	-	-	1,097	-
LC Engineering Sp. z o.o.	2009	4	-	-	-	-	-	-	-
Noble Securities S.A.	2009	-	30	-	-	-	-	-	-
Home Broker S.A.	2009	-	25	-	-	-	-	-	-

(*) See Note 5

(**) Transactions with LC Corp Sky Tower Sp. z o.o. were disclosed in Item Related Undertakings for the period from January 1st 2009 to November 30th 2009, and Item Undertakings related through shareholders for the period from December 1st 2009 to December 31st 2009 (See Note 5)

Related undertaking		Sales to related undertakings	Purchases from related undertakings	Receivables from related undertakings	Liabilities to related undertakings	Loans and non-current receivables and current financial assets	Financial liabilities	Financial income (interest)	Financial expenses (interest, discounts)
Shareholders									
LC Corp B.V	2008	-	-	-	-	-	(*) 70,802	-	(*) 802
Leszek Czarnecki	2008	41	50	28	-	-	-	-	-
Related undertaking	2008								
Arkady Wrocławskie S.A.	2008	-	739	233	5,270	-	-	-	-
LC Corp Sky Tower Sp. z o.o.	2008	35	-	10	-	135,637	-	8,137	-
Katowice Ceglana Sp. z o.o.	2008	605	-	61	-	108,713	-	7,923	-
Vratislavia Residence Sp. z o.o.	2008	605	-	183	-	4,011	-	160	-
LC Corp Dębowa Ostoja Sp. z o.o.	2008	511	-	146	-	6,637	-	287	-

(in PLN '000)

LC Corp Bajkowy Park Sp. z o.o.	2008	607	5	185	-	20,798	-	2,024	-
LC Corp Szmaragdowe Wzgórze Sp. z o.o.	2008	485	-	146	-	45,405	-	2,897	-
LC Corp Pustynna Sp. z o.o.	2008	29	-	2	-	-	-	-	-
LC Corp Stabłowice Sp. z o.o.	2008	725	-	220	-	64,312	-	4,312	-
Łódź Pustynna Sp. z o.o.	2008	9,293	-	110	-	16,975	-	975	-
Warszawa Przy Promenadzie Sp. zo.o. Sp. k	2008	827	-	146	-	20,031	-	1,173	-
Warszawa Przy Promenadzie Sp. z o.o.	2008	138	-	110	-	5,105	-	319	-
Warszawa Przyokopowa Sp. z o.o.	2008	132	-	37	-	4,350	59,488	485	1,488
Warszawa Rezydencja Kaliska Sp. z o.o.	2008	146	-	110	-	34,976	-	1,700	-
Kraków Zielony Złocień Sp. z o.o.	2008	77	-	110	-	22,429	-	1,322	-
Undertakings related through shareholders									
RB Computer Sp. z o.o.	2008	-	14	-	5	-	-	-	-
Getin Holding S.A.	2008	-	4	-	-	-	-	-	-
Getin Bank S.A.	2008	-	-	-	-	-	-	1,415	-
LC Engineering Sp. z o.o.	2008	-	5	-	-	-	-	-	-
TU Europa S.A.	2008	-	4	-	-	-	-	-	-
Zakład Techniki Konstrukcyjnej		-	69	-	-	-	-	-	-

(*) See Note 5

(in PLN '000)

30.1. The Parent Undertaking of the Company

LC Corp B.V.

On November 30th 2009, the Issuer and LC Corp B.V. signed and annexe to the share disposal agreement of November 2nd 2008, concerning sale of shares of LC Corp Sky Tower Sp. z o.o., described in Note 5.

Leszek Czarnecki

Leszek Czarnecki directly owns 3.22% shares of LC Corp S.A. and at the same time holds 100% shares of LC Corp B.V, which holds 47.95% shares of LC Corp S.A.

In the year ended December 31st 2009 sales of services were effected, mainly connected with property management for the amount of PLN 26,000.

On November 30th 2009 LC Corp S.A. and Mr Leszek Czarnecki entered into an agreement terminating the arrangement of January 14th 2009, made with Mr Leszek Czarnecki regarding the right of LC Corp S.A. to repurchase 15,000 shares of LC Corp Sky Tower Sp. z o.o., as described in Note 2.

30.2. Remuneration to senior management of the Company

	Year ended December 31st 2009	Year ended December 31st 2008
Short-term employee benefits	1,377	1,489
Jubilee bonuses and retirement severance payments	0	0
Termination benefits	0	0
Share-based payment	0	0
Total remuneration paid to the senior management except the Management Board and Supervisory Board	**1,377**	**1,489**

30.3. 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 Issuer was as follows:

	Year ended December 31st 2009	Year ended December 31st 2008
Management Board - remuneration	1,271	2,609
Management Board - share-based remuneration	0	0
Supervisory Board - remuneration	96	103
Supervisory Board - share-based remuneration	0	0
Total	**1,367**	**2,712**

31. Information on Remuneration of Auditor or an Entity Qualified for Auditing Financial Statements

2009

On January 7th 2010, an agreement was concluded with Ernst&Young Audit Sp. z o.o. seated in Warsaw, for auditing financial statements and consolidated financial statements of LC Corp S.A. for the year 2009. The total amount of remuneration under the agreement concluded with the entity qualified for auditing financial statements is PLN 88,000 net.

On June 16th 2009 the Company entered into an agreement with Deloitte Audyt sp. z o.o. seated in Warsaw, on carrying out a review of H1 2009 financial statements and consolidated financial statements of LC Corp S.A. The total amount of remuneration under the agreement was PLN 72,000 net.

2008

On December 19th 2008 an agreement was concluded with Deloitte Audyt sp. z o.o. seated in Warsaw, for auditing financial statements and consolidated financial statements of LC Corp S.A. for the year 2008. The total amount of remuneration under the agreement was PLN 85,000 net.

In addition, on October 20th 2008 agreement was concluded with Deloitte Audyt sp. z o.o. regarding the implementation of agreed procedures, for the net amount of PLN 110,000.

On July 21st 2008, the Company concluded an agreement with Ernst&Young Audit Sp. z o.o. on carrying out a review of H1 2008 financial statements and consolidated financial statements of LC Corp S.A, for the net amount of PLN 105,000.

In addition, on the basis of a separate one-off agreement the company made a payment to Ernst&Young Audit Sp.z o.o. of a net amount of about PLN 25,000 for the provided consulting services.

32. Rules Governing Financial Risk Management

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

The main types of risk following from the Company'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.

32.1. Interest rate risk

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

32.2. Credit risk

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

As at December 31st 2009, trade receivables amounted to PLN 550,000; an analysis of their maturity is presented in Note 21.

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

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

(in PLN '000)

32.3. Liquidity risk

The Company aims to maintain balance between continuity and flexibility of financing.

Note 26 contains information on the Company's financial liability resulting from the issues of bonds and loans As at December 31st 2009, and as at December 31st 2008, by maturity dates.

An analysis of liabilities by maturity dates is presented in Note 33.2

33. Financial instruments

33.1. Fair values

The table below shows a comparison of balance-sheet values and fair values of the Company'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, pursuant to IAS 39.

	Balance-sheet value		Fair value	
	December 31st 2009	December 31st 2008	December 31st 2009	December 31st 2008
Financial assets available for sale				
Cash	4,196	14,044	4,196	14,044
Loans and receivables				
Loans granted (*)	473,060	475,727	473,060	475,727
Trade and other receivables	937	1,927	937	1,927
Financial liabilities				
Trade and other payables	5,271	6,211	5,271	6,211
Interest-bearing bank loans and borrowings:				
Loans, bonds and borrowings at a floating interest rate	27,306	96,752	27,306	96,752
Loans, bonds and borrowings at a fixed interest rate	25,247	91,286	25,247	91,286

(*) fair value is an estimate of a balance-sheet value, as the Company purchased at arm's length

33.2. Interest rate risk

As at December 31st 2009, and as at December 31st 2008, the Company had no significant floating-interest-rate liabilities whose cost of financing would be included in the statement of comprehensive income.

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

Period ended December 31st 2009

(in PLN '000)

Fixed interest rate [PLN]

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Zero coupon bonds	0	25,247	0	0	0	0	25,247
	0	**25,247**	**0**	**0**	**0**	**0**	**25,247**

Floating interest rate [PLN]

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Bank loans	0	0	0	0	0	27,306	27,306
	0	**0**	**0**	**0**	**0**	**27,306**	**27,306**

Period ended December 31st 2008

Fixed interest rate [PLN]

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Zero coupon bonds	67,977	23,309	0	0	0	0	91,286
	67,977	**23,309**	**0**	**0**	**0**	**0**	**91,286**

Floating interest rate [PLN]

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Bank loans	950	70,802	0	0	0	25,000	96,752
	950	**70,802**	**0**	**0**	**0**	**25,000**	**96,752**

33.3. Collaterals

As at December 31st 2009 the main collaterals of repayment of LC Corp S.A. subsidiaries' loans were:

- pledge on shares of Arkady Wrocławskie S.A. owned by LC Corp SA – up to EUR 91,500,000
- pledge on shares of Kraków Zielony Złocień sp. z o.o. – up to PLN 50,000
- pledge on shares of LC Corp Bajkowy Park sp. z o.o. up to PLN 38,220,000
- guarantee of LC Corp SA of PLN 15,358,000 for LC Corp Bajkowy Park sp. z o.o.
- guarantee of LC Corp SA for a promissory blank note of Kraków Zielony Złocień sp. z o.o. up to PLN 111,000,000

(in PLN '000)

34. Capital management

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

The Company manages the capital structure and introduces changes resulting from changes in economic conditions. In order to maintain or adjust the capital structure, the Company can change payment of dividend to shareholders, return capital to shareholders or issue new shares. In the financial period ended December 31st 2009 and until December 31st 2008 there were no changes in the objectives, rules and processes binding in this area.

The Company monitors the condition of capital by means of a leverage ratio, which is calculated as a ratio of debt to equity. The Company'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 2009	Year ended December 31st 2008
Interest-bearing loans and borrowings (external financing)	52,553	188,038
Trade payables and other liabilities	5,271	6,211
A. Net debt	**57,824**	**194,249**
B. Equity	**740,492**	**748,768**
Leverage ratio (A/B)	**0,08**	**0,26**

35. Structure of employment

	Year ended December 31st 2009	Year ended December 31st 2008
Management Board of the Issuer	2,48	3,20
White collar / administrative staff	26,53	33,67
Blue collar	0	0
Total	**29,01**	**36,87**

36. Events subsequent to the balance-sheet date

1. On January 19th 2010, by way of a resolution of the shareholders of Warszawa Przy Promenadzie Sp. z o.o. Sp. k., a resolution was adopted on payment to the company's limited partner, LC Corp S.A., of a part of retained earnings for 2008, totalling PLN 8,400,000, made from the funds collected as the company's other capital reserves.
2. Under an annexe dated January 20th 2010, the redemption date – for 14 investment notes issued by Warszawa Przy Promenadzie Sp. z o.o. Sp. k. and acquired by LC Corp S.A. – was changed from January 20th 2010 to January 20th 2011, with an optional payment available at an earlier date.
3. On January 21st 2010, LC Corp SA granted a loan to its subsidiary Kraków Zielony Złocień Sp. z o.o. in the amount of PLN 10,500,000 for an indefinite time, at arm's length.

4. On February 15th 2010 the final settlement of the transaction concerning the disposal of all shares in LC Corp Sky Tower Sp. z o.o. took place, and the resulting liabilities towards LC Corp S.A and Warszawa Przyokopowa Sp. z o.o. of PLN 118,000,000 were paid off.
5. On February 16th 2010, LC Corp SA granted a loan to its subsidiary Kraków Zielony Złocień Sp. z o.o. in the amount of PLN 35,000,000 for an indefinite time, at arm's length
6. On February 26th 2010, LC Corp SA granted a loan to its subsidiary LC Corp Bajkowy Park Sp. z o.o. in the amount of PLN 26,000,000 for an indefinite time, at arm's length.

……………………………………………. ……………………………………………..
President Dariusz Niedośpiał Chief Accountant Lidia Kotowska

…………………………………………….
Member of the Board Waldemar Czarnecki

……………………………......……………….
Member of the Board Joanna Jaskólska

Wrocław, March 12th 2010