LC CORP S.A.

FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2013
WITH AN INDEPENDENT AUDITOR'S REPORT ON THE REVIEW

STATEMENT OF FINANCIAL POSITION
as at 31 December 2013 (in PLN '000)

	Note	31 December 2013	31 December 2012
Assets			
A. Non-current assets		**1,182,668**	**866,350**
1. Intangible assets	16	323	341
2. Property, plant and equipment	15	1,074	931
2.1. Tangible assets		881	930
2.2. Tangible assets under construction		193	1
3. Loans and non-current receivables	18	413,397	538,680
4. Non-current Investment	17	767,311	326,398
5. Non-current prepayments and accrued income		0	0
6. Deferred tax assets	13.3	563	0
B. Current assets		**177,231**	**231,675**
1. Inventories	21	99,585	72,133
2. Trade and other receivables	22	1,252	13,330
3. Income tax receivable		0	63
4. Current financial assets	19	0	70,711
5. Cash and cash equivalents	24	76,278	75,293
6. Current prepayments and accrued income	23	116	145
C. Non-current assets classified as held for sale		**0**	**0**
Total assets		**1,359,899**	**1,098,025**
Equity and liabilities			
A. Equity		**837,911**	**814,489**
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	333,863	304,135
4. Other reserve funds	25.3	30,000	30,000
5. Other capital	25.4	3,068	3,068
6. Retained profit / losses not covered		23,422	29,728
B. Non-current liabilities		**365,891**	**224,589**
1. Non-current financial liabilities	26	190,300	208,830
2. Non-current liabilities arising from the acquisition of a subsidiary	27	175,572	
3. Provisions	28	19	19
4. Deferred tax liability	13.3	0	15,740
C. Current liabilities		**156,097**	**58,947**
1. Current financial liabilities	26	110,565	50,426
2. Current liabilities arising from the acquisition of a subsidiary	27	41,264	
3. Current trade and other payables	29.1	1,254	5,825
4. Income tax payable		0	0
5. Provisions	28	11	0
6. Accrued expenses and revenue	30	3,003	2,696
Total equity and liabilities		**1,359,899**	**1,098,025**

STATEMENT OF COMPREHENSIVE INCOME
for year ended 31 December 2013 (in PLN '000)

	Note	Year ended 31 December 2013	Year ended 31 December 2012
Revenue			
Revenue on sales of services	12.1	58,531	25,635
Revenue on interest and discounts	12.2	34,122	41,530
Revenue on dividends	12.3	14,781	0
Other financial income	12.4	0	32,270
Other operating income	12.5	31	149
Total operating income		**107,465**	**99,584**
Expenses			
Operating expenses, value of goods sold	12.6	(69,567)	(34,994)
Costs of interest and discounts	12.9	(17,296)	(15,746)
Other financial expenses	12.10	(13,447)	(385)
Other operating expenses	12.11	(36)	(66)
Total operating expenses		**(100,346)**	**(51,191)**
Pre-tax profit (loss)		**7,119**	**48,393**
Corporate income tax (tax expense)	13.1	16,303	(18,665)
Net profit on continued operations		**23,422**	**29,728**
Discontinued operations			
Profit (loss) on discontinued operations for the business year		0	0
Net profit (loss)		**23,422**	**29,728**
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		**23,422**	**29,728**
Profit (loss) per share			
- basic profit (loss) per share for the year in PLN	14	0.05	0.07
- diluted profit (loss) per share for the year in PLN		0.05	0.07

STATEMENT OF CASH FLOWS
for year ended 31 December 2013 (in PLN '000)

	Note	Year ended 31 December 2013	Year ended 31 December 2012
A. Cash flows from operating activities			
I. Pre-tax profit (loss) on continued operations		**7,119**	**48,393**
II. Total adjustments		**(30,568)**	**(162,157)**
1. Change in tangible assets and intangible assets		(124)	(201)
2. Change in provisions		11	0
3. Change in inventories		(27,452)	(48,096)
4. Change in receivables		42,078	(37,958)
5. Change in current liabilities (net of loans and borrowings)		(4,571)	(129)
6. Change in accruals and deferrals		335	935
7. Change in financial liabilities		234,012	5,325
8. Change in financial assets resulting from loans and notes		170,475	(25,666)
9. Change in financial assets resulting from shares		(445,395)	(57,038)
10. Income tax		63	1,022
11. Other adjustments		0	(352)
III. Net cash provided by (used in) operating activities (I±II)		**(23,449)**	**(113,765)**
B. Cash flows from financing activities			
I. Cash provided by financing activities		**50,000**	**94,613**
1. Net proceeds from issue of shares and additional contributions to equity		0	0
2. Issue of debt securities		50,000	64,823
3. Loans		0	29,790
II. Cash used in financing activities		**(25,566)**	**(13,346)**
1. Acquisition of own (treasury) shares		0	0
2. Redemption of debt securities		(11,020)	0
3. Interest paid		(14,546)	(13,346)
4. Other cash used in financing activities		0	0
III. Net cash provided by (used in) financing activities (I–II)		**24,434**	**81,267**
C. Total net cash flow (A.III±B.III)		**985**	**(32,498)**
D. Balance-sheet change in cash, including:		**985**	**(32,498)**
– foreign exchange change in cash		0	0
E. Cash at beginning of period		**75,293**	**107,791**
F. Cash at end of period (F±D)	24	**76,278**	**75,293**
- restricted cash		20	20

STATEMENT OF CHANGES IN EQUITY
for year ended 31 December 2013 (in PLN '000)

	Note	*Issued share capital*	*Balance of called-up share capital not paid*	*Reserve funds*	*Other capital reserves*	*Other capital*	*Retained profit / Uncovered losses*	*Total*
As at 1 January 2013		**447,558**	**0**	**304,135**	**30,000**	**3,068**	**29,728**	**814,489**
Net profit for 2013		*0*	*0*	*0*	*0*	*0*	*23,422*	*23,422*
Other comprehensive income for 2013		*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total comprehensive income for 2013		**0**	**0**	**0**	**0**	**0**	**23,422**	**23,422**
Transfer of the profit for 2012 to reserve funds	25.2	0	0	29,728	0	0	(29,728)	0
As at 31 December 2013		**447,558**	**0**	**333,863**	**30,000**	**3,068**	**23,422**	**837,911**

	Note	*Issued share capital*	*Balance of called-up share capital not paid*	*Reserve funds*	*Other capital reserves*	*Other capital*	*Retained profit / Uncovered losses*	*Total*
As at 1 January 2012		**447,558**	**0**	**288,430**	**30,000**	**3,068**	**15,705**	**784,761**
Net profit for 2012		*0*	*0*	*0*	*0*	*0*	*29,728*	*29,728*
Other comprehensive income for 2012		*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total comprehensive income for 2012		**0**	**0**	**0**	**0**	**0**	**29,728**	**29,728**
Transfer of the profit for 2011 to reserve funds	25.2	0	0	5,116	0	0	(5,116)	0
Transfer of the profit for previous years 2009-2010 to reserve funds	25.2	0	0	10,589	0	0	(10,589)	0
As at 31 December 2012		**447,558**	**0**	**304,135**	**30,000**	**3,068**	**29,728**	**814,489**

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.

As at 31 December 2013 the shares of LC Corp S.A. are in public trading.

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. Identification of the consolidated financial statements

The Company also prepared consolidated financial statements for the year ended 31 December 2013 which were approved for publication by the Management Board on 20 March 2014.

3. Composition of the Management Board of the Company

As at 1 January 2013, the Management Board of LC Corp S.A. comprised:

- President – Dariusz Niedośpiał
- Vice-President – Joanna Jaskólska
- Member of the Board – Tomasz Wróbel
- Member of the Board – Mirosław Kujawski

On 6 December 2013, the Supervisory Board of the Issuer appointed Mrs Małgorzata Danek to the Management Board as a new Member of the Management Board of the Company.

As at 31 December 2013, the Management Board of LC Corp comprised:

- President – Dariusz Niedośpiał
- Vice-President – Joanna Jaskólska
- Member of the Board – Mirosław Kujawski
- Member of the Board – Tomasz Wróbel
- Member of the Board – Małgorzata Danek

(in PLN '000)

4. Approval of the financial statements

These financial statements were approved for publication by the Management Board on 20 March 2014.

5. Investments of the Company

The Company holds shares in the following subsidiaries:

Company name	Registered office	31 December 2013 Share in capital	31 December 2012 Share in capital
Arkady Wrocławskie S.A.	Wrocław	100%	100%
Sky Tower S.A. (a)	Wrocław	100%	-
Warszawa Przyokopowa Sp. z o.o.	Wrocław	100 %	100 %
Kraków Zielony Złocień Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest I Sp. z o.o.	Wrocław	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest II Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest III Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest VII Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest VIII Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest IX Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest X Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XI Sp. z o.o	Wrocław	100%	100%
LC Corp Invest XII Sp. z o.o	Wrocław	100%	100%
LC Corp Invest XV Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XV Sp. z o.o. Projekt 1 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 3 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 5 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 6 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 7 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 8 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 9 Sp. k. (b)	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 10 Sp. k. (c)	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 14 S.K.A.	Wrocław	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest XV Sp. z o.o Finance S.K.A.	Wrocław	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest XV Sp. z o.o Investments S.K.A.(d)	Wrocław	100% (indirectly and directly)	-
LC Corp Invest XVI Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XVII Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. (e)	Wrocław	100% (indirectly and directly)	100% (indirectly)

As at 31 December 2013 and 31 December 2012 the Parent Undertaking's share in the total vote in subsidiary entities equals its share in the share capital of these entities..

(a) On 6 December 2013, LC Corp SA acquired from LC Corp B.V. with its registered seat in Amsterdam 100% of Sky Tower S.A.'s shares and became the sole shareholder of this company, which on that day became a part of LC Corp S.A. capital group.
(b) On 23 April 2013, a limited partnership LC Corp Invest XV Sp. z o.o. Projekt 9 Sp. k. was registered on the basis of an agreement made between LC Corp S.A.'s subsidiary companies i.e. LC Corp Invest XV Sp. z o.o. and LC Corp Invest XI Sp. z o.o. The company was established to implement a property development investment in which LC Corp Invest XI Sp. z o.o. is the limited partner.
(c) On 6 November 2013, a limited partnership LC Corp Invest XV Sp. z o.o. Projekt 10 Sp. k. was registered on the basis of an agreement made between LC Corp S.A.'s subsidiary companies i.e. LC Corp Invest XV Sp. z o.o. and LC Corp Invest XI Sp. z o.o. The company was established to implement a property development investment in which LC Corp Invest XI Sp. z o.o. is the limited partner.
(d) On 1 October 2013, LC Corp Invest XV a limited liability company Investments S.K.A. was registered. LC Corp Invest XV a limited liability company acquired 50 shares in the share capital, and LC Corp Invest XVI a limited liability company acquired 4,950 shares. On 21 October 2013, the Extraordinary General Meeting adopted a resolution to increase the share capital of the Company from the amount of PLN 50,000.00 to the amount of PLN 91,905,080.00, i.e. by the amount of PLN 91,855,080.00 issuing 9,185,508 Series C registered shares with a par value of PLN 10.00 each, which were acquired by LC Corp S.A. Therefore, on the date of the increase of the share capital, LC Corp SA became a shareholder of the Company holding 99.95% of shares.
(e) On 31 October 2013, the Meeting of Shareholders of LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. agreed on the accession of LC Corp S.A. as a limited partner. LC Corp S.A. made the contribution to the Company in the form of liabilities in the amount of PLN 60,900,000.

6. Significant values based on professional judgement and estimates

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

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. Deferred tax asset is presented in Note 13.3.

Valuation allowances for shares in subsidiaries

As at the end of each reporting period the Management Board assesses whether there is any objective evidence that the shares in subsidiary undertakings are impaired.

If any such evidence exists, the Management Board makes an impairment allowance regarding these assets to 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.

The value in use was evaluated by means of the DCF method, which is based on discounted cash flows generated by the subsidiaries 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 and current prices. The discount rate takes account of the weighted average cost of capital (WACC).

The recoverable value of shares and the value of the valuation allowances for shares were estimated as at 31 December 2013 and may be subject to change depending on the fluctuation of the market prices of land, sale prices of flats, construction costs, 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 is also related to the uncertainty regarding the proper estimation of the market conditions in the following years. Consequently, valuation allowances may change in next financial periods. Inventories and valuation allowances for inventories are presented in Note 17.

Valuation allowances for loans advanced to the subsidiaries

As at the end of each reporting period the Management Board assesses whether there is any objective evidence that the loans granted to the subsidiary undertakings are impaired.

If any such evidence exists, the Management Board makes an impairment allowance regarding these assets to 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.

The amount of impairment allowance is measured as the difference between balance-sheet value of the asset and the present value of estimated future cash flows generated by the subsidiaries 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 and current prices. The discount rate takes account of the weighted average cost of capital (WACC).

The value of the valuation allowances for loans were estimated as at 31 December 2013 and may be subject to change depending on the fluctuation of the market prices of land, sale prices of flats, construction costs, project completion schedules and discount rate calculations. Consequently, valuation allowances may change in next financial periods. Inventories and valuation allowances for inventories are presented in Note 19.

The table below shows the change of estimates as at 31 December 2013 and as at 31 December 2012.

	31 December 2013	**31 December 2012**
Deferred tax asset	563	0
Deferred tax liability	0	15,740
Valuation allowances for shares and loans	84,897	72,852

7. Basis for the preparation of the financial statements

These financial statements were prepared for the year ended 31 December 2013. As comparable date the Company discloses figures for the period of 12 months ended 31 December 2012 and as at 31 December 2012.
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 S.A. were prepared in accordance with International Financial Reporting Standards ("IFRS"), adopted by the EU ("UE IFRS").

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, International Financial Reporting Standards differ from International Financial Reporting Standards adopted by the EU. The Company used the opportunities of applying International Financial Reporting Standards approved by the EU, including IFRS 10, IFRS 11, IFRS 12, IAS 27, as amanded, and IAS 28 only from annual periods beginning on 1 January 2014.

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

7.1. 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. Adopted accounting rules

The accounting principles and policies adopted for preparation of these consolidated financial statements are coherent with the principles described in the consolidated financial statements for the year ended 31 December 2012, except for new or changed IFRS and IFRIC interpretations effective for the annual periods beginning on 1 January 2013:

1) IAS 19 *Employee Benefits* (amendments 2011) – applicable to annual periods beginning on or after 1 January 2013,
2) Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* – applicable to annual periods beginning on or after 1 July 2013,
3) IAS 1 *Clarification of the requirement for comparable data* (amendment)
4) Amendments to IAS 12 *Income Taxes: Deferred Tax: Recovery of Underlying Assets* – effective for annual periods beginning on or after 1 January 2012 – in EU applicable to annual periods beginning on or after 1 January 2013,
5) IFRS 13 *Fair Value Measurement* – applicable to annual periods beginning on or after 1 January 2013,
6) Amendment to IFRS 7 *Financial Instruments Disclosures*: *Offsetting Financial Assets and Financial Liabilities* – applicable to annual periods beginning on or after 1 January 2013,
7) Amendments resulting from the IFRS review (published in May 2012) - applicable to annual periods beginning on or after 1 January 2013 referring to MSR 16 and MSR 32,
8) Amendments *to* IFRS *1 First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation And Removal Of Fixed Dates For IFRS First-Time Adopters* – applicable to annual periods beginning on or after 1 July 2012 - in EU applicable to annual periods beginning on or after 1 January 2013
9) Amendments *to IFRS 1 First-time Adoption of International Financial Reporting Standards: Government Loans* – applicable to annual periods beginning on or after 1 January 2013,
10) IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* – applicable to annual periods beginning on or after 1 January 2013. This interpretation is not applicable to the Company.

The above-mentioned amendments had no impact on the Company's financial position or activity results.

Additionally, in H1 2013 the Group has expanded its accounting policy for guidance on hedge accounting instruments hedging interest rate risk. Valuation of this type of hedging transactions were concluded by the subsidiary undertakings in the H2 2013.

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

The following standards and interpretations were published by the International Accounting Standards Board or the IFRS Interpretations Committee, but have not become effective yet:

1) Phase 1 of IFRS 9 *Financial Instruments: Classification and Measurement* with later amendments – effective date was postponed by the Council for IFRS without any indication of the planned date of approval,
2) IFRS 10 *Consolidated Financial Statements* – applicable to annual periods beginning on or after 1 January 2013 – in EU applicable to annual periods beginning on or after 1 January 2014. The Company decided to apply IFRS to annual periods beginning on 1 January 2014,
3) IFRS 11 *Joint Arrangements* – applicable to annual periods beginning on or after 1 January 2013 – in EU applicable to annual periods beginning on or after 1 January 2014. The Company decided to apply IFRS to annual periods beginning on 1 January 2014,
4) IFRS 12 *Disclosure of Interests in Other Entities* – applicable to annual periods beginning on or after 1 January 2013 – in EU applicable to annual periods beginning on or after 1 January 2014. The Company decided to apply IFRS to annual periods beginning on 1 January 2014,
5) Amendments to IFRS 10, IFRS 11 and IFRS 12 *Transition Guidance* – applicable to annual periods beginning on or after 1 January 2013– in EU applicable to annual periods beginning on or after 1 January 2014. The Company decided to apply IFRS to annual periods beginning on 1 January 2014,
6) IAS 28 *Investments in Associates and Joint Ventures* – applicable to annual periods beginning on or after 1 January 2013 – in EU applicable to annual periods beginning on or after 1 January 2014. The Company decided to apply IFRS to annual periods beginning on 1 January 2014u,
7) Amendments to IAS 32 *Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities* – applicable to annual periods beginning on or after 1 January 2014,
8) Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities* (published on 31 October 2012) – applicable to annual periods beginning on or after 1 January 2014 – applicable to annual periods beginning on 1 January 2014,
9) IFRIC 21 *Levies* – applicable to annual periods beginning on or after 1 January 2014 – not endorsed by the EU as at the date of authorization of these financial statements,
10) Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* (published on 29 May 2013) - applicable to annual periods beginning on or after 1 January 2014j,
11) Amendments to IAS 39 *Novation Of Derivatives And Continuation Of Hedge Accounting* (published on 27 June 2013) – applicable to annual periods beginning on or after 1 January 2014,
12) Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* (published on 21 November 2013) – applicable to annual periods beginning on or after 1 July 2014 – not endorsed by the EU as at the date of authorization of these financial statements,
13) *Amendments resulting from the IFRS review 2010-2012* – Some of the amendments are applicable for annual periods beginning on or after 1 July 2014, and the other prospectively for transactions occurring on or after 1 July 2014– not endorsed by the EU as at the date of authorization of these financial statements,
14) *Amendments resulting from the IFRS review 2011-2013* – applicable to annual periods beginning on or after 1 July 2014 – not endorsed by the EU as at the date of authorization of these financial statements,
15) *IFRS 14 Regulatory Deferral Accounts* – applicable to annual periods beginning on or after 1 January 2016 – not endorsed by the EU as at the date of authorization of these financial statements.

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

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.

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
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 value of an item of tangible assets may be impaired, 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 'Tangible assets' 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

The Company discloses as "Investment property" also property under construction which will be used in the future as investment property.

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. 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 31 December 2013 and as at 31 December 2012 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.

10.6. 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, i.e. determines whether the current book value of the asset is higher than the value that can be obtained from its further use or sale. 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 impairment allowance is recognized in the financial result. 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.

The recoverable value is determined for the individual assets, unless a given asset does not generate separate cash inflows largely independent from those generated by other assets or asset groups. If the balance-sheet value of an asset is higher than its recoverable value, the value of the asset is impaired and impairment allowances are recognised up to the established recoverable value. In assessing value in use, the projected cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. Impairment allowance related to the assets used in the continued operations are disclosed under the cost categories corresponding to the function of the asset with respect to which impairment has been identified.

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.

10.7. 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.

10.8. 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.

10.9. 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.

10.10. 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.

Held-to-maturity assets are non-derivative financial assets, quoted on an active market, with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity, other than:

- those that the Company upon initial recognition designates as at fair value through financial result,
- those that the entity designates as available for sale,
- those that meet the definition of loans and receivables.

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 31 December 2013 and as at 31 December 2012 no financial assets were classified to the category of assets measured 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.

10.11. Impairment losses in respect of financial assets

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets carried at amortized cost

If there is objective evidence that a loss has occurred due to impairment of loans and receivables carried at amortized cost, the amount of impairment allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses from irrecoverable receivables that have not been incurred) discounted at the original (i.e., at initial recognition), effective interest rate. The balance sheet value of the asset is reduced directly through the use of allowance account. The amount of the loss is recognized in profit or loss.

The Group first verifies if there is any objective evidence pointing to impairment of particular financial assets that are individually significant, and evidence of impairment of financial assets that are not individually significant. If the review reveals the existence of such impairment of an individual financial asset, regardless it is significant or not, the Company includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually verified for impairment loss and for which an impairment allowance has been disclosed, or it was considered that the current allowance does not change, they are excluded in the collective assessment of assets for impairment.

If in a next period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment has been recognized, the previously recognized impairment loss is reversed. Any further reversal of an impairment loss is disclosed in profit or loss in the extent of the balance-sheet value of the asset at the reversal date which does not exceed its amortized cost.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the balance sheet value of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Financial assets available for sale

If there is objective evidence that the financial asset available for sale is impaired, the amount of the difference between the acquisition price of the asset cost (less any principal repayment and depreciation) and its current fair value, less any impairment loss on that asset previously recognized in profit or loss is reversed on equity and reclassified in profit or loss. Reversals of impairment losses on equity instruments classified as available for sale cannot be recognized in profit or loss. If in the next period, the fair value of a debt instrument available for sale increases and the increase can be objectively related to an event occurring after the impairment loss has been recognized in profit or loss, the amount of the reversal is recognized in profit or loss.

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 31 December 2013 and as at 31 December 2012 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, or
- a net investment hedge of a foreign operation.

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.

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in other comprehensive income is reclassified from equity to profit and loss as an adjustment resulting from reclassification.

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 31 December 2013 and the year ended 31 December 2012, the Company 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.

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.

10.15. 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.

10.16. 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. Re-measurement of liabilities for employee benefits relating to defined benefit plans including actuarial gains and losses is recognized in other comprehensive income and is not reclassificated to profit or loss.

10.17. 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.

10.18. Own shares

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

10.19. 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.

10.20. Valuation of assets and liabilities expressed in foreign currencies

As at the end of the reporting period:

(in PLN '000)

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.

	31 December 2013	31 December 2012
EUR	4.1472	4.0882
USD	3.0120	3.0996

10.21. 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.

10.22. 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.

10.22.1 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.

The moment of transferring the risk to the client determines when the revenue from sales of residential and retail premises can be recognized.

Upon the sale of residential and retail premises, the risk is transferred to the client when the following conditions are fulfilled:

(i) obtaining the occupancy permit for the buildings;

(ii) payment of 100% of the value of the premises, based on the developer agreement or preliminary agreement;

(iii) acceptance of the premises by the client, evidenced by the delivery and acceptance protocol;

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.

10.22.2 Sale of services

Rental revenues

Rental revenues are disclosed with the straight-line method for the period of rent in relation to open contracts.

10.22.3 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.

10.22.4 Dividends

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

10.23. 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.

10.24. 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.

The Company offsets deferred tax asset with deferred tax liability if, and only if it possesses an enforceable legal right to set off receivables with liabilities in respect of the current tax and when deferred income tax relates to the same taxpayer and the same tax authority.

10.25. 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.

10.26. 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.

10.27. 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.

10.28. 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.

10.29. 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.

Holding activity	Year ended 31 December 2013	Year ended 31 December 2012
Revenue		
Revenue on sales of services	58,531	25,635
Revenue on interest and discounts	34,122	41,530
Revenue on dividends	14,781	0
Other financial revenue	0	32,270
Other	31	149
Total income	**107,465**	**99,584**
Expenses		
Operating expenses	(69,567)	(34,994)
Costs of interest and discounts	(17,296)	(15,746)
Other financial expenses	(13,447)	(385)
Other	(36)	(66)
Total expenses	**(100,346)**	**(51,191)**
Pre-tax profit (loss) of a segment	**7,119**	**48,393**
Assets and liabilities		
Total assets	1,359,899	1,098,025
Total liabilities	521,988	283,536

12. Revenues and Expenses

12.1. Revenue on the sale of services

	Year ended 31 December 2013	Year ended 31 December 2012
Revenue on sale of services	5,974	4,819
Revenue on sale of goods	52,557	20,816
Total	**58,531**	**25,635**

(in PLN '000)

In the year ended 31 December 2013, the Company disposed of property rights of the real property located in Chrzanowski Street in Warsaw and in Kiełczowska Street in Wroclaw to the target company.

12.2. Income from interest and discounts

	Year ended 31 December 2013	Year ended 31 December 2012
Bank interest received	3,793	5,967
Interest from loans	30,153	34,405
Income from discounting bonds and bills	176	1,154
Other	0	4
Total	**34,122**	**41,530**

12.3. Dividend income

	Year ended 31 December 2013	Year ended 31 December 2012
Dividends received	14,781	0
Total	**14,781**	**0**

On 5 July 2013, pursuant to the resolution of the Ordinary General Meeting of Arkady Wrocławskie S.A. dated 4 July 2013 dividend in the total amount of PLN 14,781,000 was paid for the sole shareholder - LC Corp S.A.

12.4. Other financial income

	Year ended 31 December 2013	Year ended 31 December 2012
Release of valuation allowances for loans	0	31,961
Positive foreign exchange differences surplus	0	2
Refund of the tax on civil law transactions	0	307
Total	**0**	**32,270**

12.5. Other operating income

	Year ended 31 December 2013	Year ended 31 December 2012
Received damages	6	22
Profit from disposal of non-financial non-current assets	0	4
Other	25	123
Total	**31**	**149**

(in PLN '000)

12.6. Operating expenses

	Year ended 31 December 2013	Year ended 31 December 2012
Depreciation	417	486
Consumption of materials and energy	408	372
Contracted services	4,668	3,351
Taxes and charges	176	396
Salaries and wages	9,801	8,226
Social security and other benefits	1,123	1,067
Other costs by type	420	326
Change in products, work in progress and goods	52,554	20,770
Total	**69,567**	**34,994**

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

	Year ended 31 December 2013	Year ended 31 December 2012
Items disclosed in operating expenses:	**417**	**486**
Depreciation of non-current assets	311	269
Depreciation of intangible assets	106	217

12.8. Costs of employee benefits

	Year ended 31 December 2013	Year ended 31 December 2012
Salaries and wages	9,801	8,226
Costs of social security	925	887
Costs of retirement benefits	0	0
Other post-employment benefits	0	0
Costs of share-based remuneration scheme	0	0
Other benefits	198	180
Total	**10,924**	**9,293**

12.9. Costs of interest and discounts

	Year ended 31 December 2013	Year ended 31 December 2012
Interest on bonds and loans	17,296	15,746
Other interest	0	0
Total	**17,296**	**15,746**

(in PLN '000)

12.10. Other financial expenses

	Year ended 31 December 2013	Year ended 31 December 2012
Valuation allowance for shares and loans (*)	12,045	0
Cost of discounting the acquisition of a subsidiary	638	0
Other	764	385
Total	**13,447**	**385**

(*) See Note 17 and 19

12.11. Other operating expenses

	Year ended 31 December 2013	Year ended 31 December 2012
Release of provisions for legal claims	0	28
Loss on disposal of non-current non-financial assets	6	0
Other	30	38
Total	**36**	**66**

13. Income tax

13.1. Tax expense

The main elements of tax expense for year ended 31 December 2013 and 31 December 2012 are as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
Statement of Comprehensive Income		
Current income tax		
Current income tax expense	0	0
Adjustments of the current income tax from previous years	0	0
Deferred income tax		
Timing differences and their reversal	(16,303)	18,665
Tax expense reported in Statement of Comprehensive Income	**(16,303)**	**18,665**

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 the year ended 31 December 2013 and 31 December 2012 is as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
Gross profit /(loss) before tax on continued operations	7,119	48,393
Profit /(loss) before tax on discontinued operations	0	0
Gross profit /(loss) before tax	**7,119**	**48,393**
Tax according to the statutory tax rate binding in Poland: 19% (2012: 19%)	1,353	**9,195**

(in PLN '000)

Non-tax-deductible costs	75	88
Valuation allowances for shares	2,289	9,371
Decrease in deferred tax liability arising from accrued interest	(17,452)	0
non-tax income	(2,808)	0
Other	240	11
Tax according to the effective tax rate 2013(2012: 39%)	**(16,303)**	**18,665**
Income tax (expense) reported in the statement of comprehensive income	**16,303**	**18,665**
Income tax attributed to discontinued operations	0	0
	16,303	**18,665**

13.3. Deferred income tax

Deferred income tax results from the following items:

	Statement of Financial Position			Statement of Comprehensive Income for year	
	31 December 2012	31 December 2012	1 January 2012	ended 31 December 2013	ended 31 December 2012
Deferred tax liability					
Interest calculated on loans and deposits	(5,309)	(19,172)	(14,473)	13,863	(4,699)
Difference in value of non-current assets (tax and balance-sheet depreciation)	(62)	(45)	(82)	(17)	37
Gross deferred tax liability	**(5,371)**	**(19,217)**	**(14,555)**		
Deferred tax assets					
Temporary provisions and settlements	595	548	363	47	185
Interest calculated, discounts on bonds	2,641	2,061	1,615	580	446
Valuation allowance for shares	0	0	15,444	0	(15,444)
Losses that can be deducted from future taxable income	2,698	868	38	1,830	830
Other	0	0	20	0	(20)
Gross deferred tax assets	**5,934**	**3,477**	**17,480**		
Deferred tax expense				**16,303**	**(18,665)**
Net deferred tax asset	**563**	**0**	**2,925**		
Net deferred tax liability	**0**	**(15,740)**	**0**		

In the year ended 31 December 2013 the Company reduced the deferred tax liability for interest accrued on loans contributed in kind to the LC Corp Invest XV Sp. z o.o. Investments S. K. A. and recognized the deferred tax asset among others from tax losses and interest accrued on the loans, discount notes and bonds.

(in PLN '000)

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 31 December 2013	Year ended 31 December 2012
Average weighted number of issued ordinary shares used to calculate the basic profit per share	447,558,311	447,558,311
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	447,558,311

	Year ended 31 December 2013	Year ended 31 December 2012
Net profit/loss on continued operations	23,422	29,728
Profit/loss on discontinued operations	0	0
Net profit/loss	23,422	29,728
Net profit attributable to ordinary shareholders, used to calculate profit per share	23,422	29,728
Net profit/loss per share in PLN	0.05	0.07
Net diluted profit/loss per share in PLN	0.05	0.07

15. Property, plant and equipment

Year ended 31 December 2013	Land and buildings	Means of transport	Plant and equipment	Tangible assets under construction	Total
Net value as at 1 January 2013	**169**	**571**	**190**	**1**	**931**
Increase – acquisition	0	132	137	192	461
Increase – other	0	0	0	0	0
Decrease (sale, liquidation)	0	0	(6)	0	(6)
Depreciation allowance for the period	(18)	(175)	(119)	0	(312)
Valuation allowance	0	0	0	0	0
Net value as at 31 December 2013	**151**	**528**	**202**	**193**	**1,074**
As at 1 January 2013					
Gross value	183	1,420	1,392	1	2,996

(in PLN '000)

Depreciation and impairment allowance	(14)	(849)	(1,202)	0	(2,065)
Net value	**169**	**571**	**190**	**1**	**931**
As at 31 December 2013					
Gross value	183	1,551	1 497	193	3,424
Depreciation and impairment allowance	(32)	(1,023)	(1,295)	0	(2,350)
Net value	**151**	**528**	**202**	**193**	**1,074**

Year ended 31 December 2012	Land and buildings	Means of transport	Plant and equipment	Tangible assets under construction	Total
Net value as at 1 January 2012	**1**	**575**	**165**	**4**	**745**
Increase – acquisition	177	168	127	1	473
Increase – other	0	0	4	(4)	0
Decrease - Sale	0	(17)	(2)	0	(19)
Depreciation allowance for the period	(9)	(155)	(104)	0	(268)
Valuation allowance	0	0	0	0	0
Net value as at 31 December 2012	**169**	**571**	**190**	**1**	**931**
As at 1 January 2012					
Gross value	6	1,358	1 263	4	2,631
Depreciation and impairment allowance	(5)	(783)	(1,098)	0	(1,886)
Net value	**1**	**575**	**165**	**4**	**745**
As at 31 December 2012					
Gross value	183	1,420	1,392	1	2,996
Depreciation and impairment allowance	(14)	(849)	(1,202)	0	(2,065)
Net value	**169**	**571**	**190**	**1**	**931**

As at 31 December 2013 and as at 31 December 2012, no item of tangible assets was used as collateral, was subject to encumbrance or mortgaged.

16. Intangible assets

Computer software and other	Year ended 31 December 2013	Year ended 31 December 2012
Net value as at 1 January	**341**	**326**
Increase – acquisition	88	232
Depreciation allowance for the period	(106)	(217)
Impairment allowance	0	0
As at 31 December	**323**	**341**

As at 1 January		
Gross value	1,867	1,636
Depreciation and impairment allowance	(1,526)	(1,310)
Net value	**341**	**326**
As at 31 December		
Gross value	1,955	1,867
Depreciation and impairment allowance	(1,632)	(1,526)
Net value	**323**	**341**

17. Non-current investments

Shares

As at 31 December 2013 and 31 December 2012, the Company held the following shares in subsidiary entities:

		31 December 2013		31 December 2012	
Company	**Seat**	**Balance-sheet value PLN '000**	**% in share capital**	**Balance-sheet value PLN '000**	**% in share capital**
Arkady Wrocławskie S.A. (a)	Wrocław	128,652	100%	128,652	100%
Sky Tower S.A. (b)	Wrocław	231,198	100%	-	-
Warszawa Przyokopowa Sp. z o.o.	Wrocław	46,366	100%	46,366	100%
Kraków Zielony Złocień Sp. z o.o. (c)	Wrocław	29,963	100%	12,830	100%
LC Corp Invest I Sp. z o.o.	Wrocław	1	100% (indirectly and directly)	1	100% (indirectly and directly)
LC Corp Invest II Sp. z o.o. (d)	Wrocław	91,788	100%	88,000	100%
LC Corp Invest III Sp. z o.o.	Wrocław	10,308	100%	10,308	100%
LC Corp Invest VII Sp. z o.o. (e)	Wrocław	12,234	100%	1,000	100%
LC Corp Invest VIII Sp. z o.o.	Wrocław	13,500	100%	13,500	100%
LC Corp Invest IX Sp. z o.o. (f)	Wrocław	17,096	100%	1,000	100%
LC Corp Invest X Sp. z o.o. (g)	Wrocław	19,500	100%	8,000	100%
LC Corp Invest XI Sp. z o.o. (h)	Wrocław	70,783	100%	35,973	100%
LC Corp Invest XII Sp. z o.o. (i)	Wrocław	23,000	100%	23,000	100%
LC Corp Invest XV Sp. z o.o.	Wrocław	5	100%	5	100%
LC Corp Invest XV Sp. z o.o. Projekt 14 S.K.A.	Wrocław Wrocław	5,049	100% (indirectly and directly)	5,049	100% (indirectly and directly)
LC Corp Invest XV Sp. z o.o. Investments S.K.A. (j)	Wrocław	91,855	100%	-	-
LC Corp Invest XVI Sp. z o.o.	Wrocław	5	100%	5	100%
LC Corp Invest XVII Sp. z o.o.	Wrocław	5	100%	5	100%
LC Corp Invest XVII sp. z o.o. Projekt 20 Sp.k (k)	Wrocław	60,900	100% (indirectly and directly)	-	-
Valuation allowance for shares		(84,897)		(51,778)	
Total		**767,311**		**321,916**	

a) On 5 July 2013, there was a payment of all unpaid shares in the amount of PLN 5,000,000 made by LC Corp S.A. - the sole shareholder of Arkady Wrocławskie S.A.

b) On 6 December 2013, LC Corp S.A. acquired from LC Corp B.V. 100% of Sky Tower S.A.'s shares for the amount of PLN 259 million paid in installments until 31 December 2019, and became the sole shareholder of the company. On that day, the company became a part of the LC Corp capital group.

c) In connection with the deferred payments, a purchase price recognized in the consolidated financial statements, at the date of purchase, was discounted and the discount in the amount of PLN 27,802,000 was included in the investment cost and in liabilities arising from the acquisition of the shares. After initial recognition, the discount is accounted for financial expenses.

d) Pursuant to the resolution made on 7 November 2013 at the Extraordinary General Meeting of Shareholders of Krakow Green Złocień Sp. z o.o. share capital was increased by creating 34,000 new shares with a par value of PLN 100.00 each which were acquired by LC Corp S.A. The shares were paid fully by cash contribution in the amount of PLN 17,133,000.

e) Pursuant to the resolution made on 7 November 2013 at the Extraordinary General Meeting of Shareholders of LC Corp Invest II Sp. z o.o. share capital was increased by creating 800 new shares with a par value of PLN 1,000.00 each which were acquired by LC Corp S.A. The shares were paid fully by cash contribution in the amount of PLN 3,788,000.

f) Pursuant to the resolution made on 3 June 2013 and 7 November 2013 at the Extraordinary General Meeting of Shareholders of LC Corp Invest VII Sp. z o.o share capital was increased by creating 3,000 new shares with a par value of PLN 1,000.00 each which were acquired by LC Corp S.A. The shares were paid fully by cash contribution in the amount of PLN 11,234,000.

g) Pursuant to the resolution made on 7 November 2013 at the Extraordinary General Meeting of Shareholders of LC Corp Invest IX Sp. z o.o. share capital was increased by creating 3,700 new shares with a par value of PLN 1,000.00 each, which were acquired by LC Corp S.A. The shares were paid fully by cash contribution in the amount of PLN 16,096,000.

h) Pursuant to the resolution made on 7 November 2013 at the Extraordinary General Meeting of Shareholders of LC Corp Invest X Sp. z o.o. share capital was increased by creating 2,300 new shares with a par value of PLN 1,000.00 each which were acquired by LC Corp S.A. The shares were paid fully by cash contribution in the amount of PLN 11,500,000.

i) Pursuant to the resolution made on 7 November 2013 at the Extraordinary General Meeting of Shareholders of LC Corp Invest XI Sp. z o.o. . share capital was increased by creating 5,000 new shares with a par value of PLN 1,000.00 each which were acquired by LC Corp S.A. The shares should be paid fully by cash contribution in the amount of PLN 49,962,000. Till 31 December 2013, LC Corp SA made a cash contribution to cover the above shares in the total amount of PLN 34,810,000.

j) Pursuant to the resolution made on 7 November 2013 at the Extraordinary General Meeting of Shareholders of LC Corp Invest XII Sp. z o.o. share capital was increased by creating 1,800 new shares with a par value of PLN 1,000.00 each which were acquired by LC Corp S.A. The shares should be paid fully by cash contribution in the amount of PLN 17,582,000. Till 31 December 2013, there were no cash contributions to cover the above shares.

k) On 1 October 2013, LC Corp Invest XV a limited liability company Investments S.K.A. was registered. LC Corp Invest XV a limited liability company acquired 50 shares in the share capital, and LC Corp Invest XVI a limited liability company acquired 4,950 shares. On 21 October 2013, the Extraordinary General Meeting adopted a resolution to increase the share capital of the Company from the amount of PLN 50,000.00 to the amount of PLN 91,905,080.00, i.e. by the amount of PLN 91,855,080.00, issuing 9.185.508 Series C registered shares with a par value of PLN 10.00 each. Therefore, on the date of the increase of the share capital, LC Corp S.A. became a shareholder of the Company holding 99.95% of shares. The Company's series C shares acquired by the Company were covered in non-cash contribution in the form of interest-bearing liabilities arising from loan agreements concluded between the Company as lender and its subsidiaries as borrowers.

(in PLN '000)

l) On 31 October 2013, Meeting of Shareholders of LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. agreed on the accession of LC Corp S.A. as a limited partner. LC Corp SA brought to the Company a non-cash contribution in form of liabilities for the amount of PLN 60,900,000.

As at 31 December 2013 the Management Board adjusted valuation allowances for the value of shares to recoverable value. The total value of valuation allowances for the year ended 31 December 2013 was: PLN 84,897,000.

The table below presents adjusted valuation allowances for the value of shares:

	Year ended 31 December 2013	Year ended 31 December 2012
At beginning of period	**(51,778)**	**(81,282)**
Increase	(50,439)	(12,268)
Use	0	0
Decrease	17,320	41,772
At end of period	**(84,897)**	**(51,778)**

The recoverable value corresponds to the higher of fair value less selling costs of the asset or its value in use, respectively. 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 shares and loans and the value of the valuation allowances for shares and loans are estimated as at 31 December 2013 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 is also related to the uncertainty regarding the proper estimation of the market conditions in the following years. Consequently, valuation allowances may change in next financial periods.

Other non-current investments

As at 31 December 2013 and 31 December 2012 the Company had non-current investments in financial instruments:

	31 December 2013	31 December 2012
Investment notes	0	4,482
Total balance-sheet value	**0**	**4,482**

On 17 April 2013, there was an earlier redemption of notes issued by LC Corp Invest XV Sp. z o.o. Projekt 4 Sp. k, acquired by LC Corp S.A., with a maturity date in 2014.

18. Loans and non-current receivables

	31 December 2013	31 December 2012
Non-current loans (with calculated interest)	413,397	526,791
Valuation allowance for loans	0	(18,111)
Other non-current receivables	0	30,000
Total	**413,397**	**538,680**

(in PLN '000)

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

On 13 December 2013, money deposit to secure the loan in the amount of PLN 30,000,000 was released by the bank in relation to the collateral mortgage on land owned by the Company.

19. Current financial assets

	31 December 2013	31 December 2012
Current loans (with calculated interest)	0	61,722
Investment notes	0	11,952
Valuation allowance for loans	0	(2,963)
Total	**0**	**70,711**

Changes in valuation allowances for loans, presented in Note 18 and 19:

	Year ended 31 December 2013	Year ended 31 December 2012
At beginning of period	**(21,074)**	**(23,531)**
Increase	0	(21,074)
Use	0	0
Decrease	(21,074)	23,531
At end of period	**0**	**(21,074)**

Due to the repayment of loans made in 2013, on which there was created an impairment allowance, previously recognized allowances were reversed.

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 Parent Company's share capital with 3 million series I shares.

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

The Parent Company undertook to issue altogether not more than 3 million Bonds with Pre-Emptive Rights. The bonds were issued and acquired by the Custodian. The Custodian is obliged to sell the bonds to the Eligible Persons. Each bond authorizes to 1 subscription for Series I Shares.

As at 31 December 2007, under the incentive scheme, options were granted for 1,000,0000 series I ordinary shares of par value PLN 1.00 per share. The fair value of these options amounted to PLN 3,108,000 and was disclosed as a cost for that period. In years 2008 - 2011 options for shares were not granted.

On 19 May 2010, a resolution of the Ordinary Shareholders Meeting was adopted changing, among others, the time period of the share options scheme, which was established for years 2007, 2011, 2012 and 2013; the deadline for of series I shares subscription right resulting from the bonds, which was set as at November 30th 2013, and changing the conditions necessary for the bond trustee to sell the bonds with pre-emptive right to subscribe for series I shares to eligible persons.

On 1 December 2011, LC Corp S.A. redeemed 1,000,000 bonds with pre-emptive right, from which the right was executed to acquire 1,000,000 series I shares. At the same time, after the redemption of the bonds the conditions of the bond issue were changed, resulting from the resolution of the Annual General Meeting of 19 May 2010 described above.

(in PLN '000)

Due to the fact that series I shares were not covered in the deadline resulting from the right to subscribe for which was set at 30 November 2013, the right to subscribe for the remaining 2,000,000 shares of series I expired.

On 11 December 2013, LC Corp S.A. redeemed the remaining 2,000,000 bonds with pre-emptive right, issued in relation to the implemented management stock options plan

21. Inventories

	31 December 2013	31 December 2012
Prepayments for purchase of land	0	0
Work in process	99,585	72,133
Finished products	0	0
Valuation allowances for inventories	0	0
Total inventories	**99,585**	**72,133**

As at 31 December 2012 the costs of external financing were not capitalized in the value of inventories (as at 31 December 2012 the capitalized costs of external financing totalled PLN 1,361,000).

Inventories are the subject to secure the loan granted by Getin Noble Bank S.A. as a contractual capped mortgage (see Note 34.3).

22. Trade and other receivables

	31 December 2013	31 December 2012
Trade receivables	938	655
Budget receivables (without income tax)	111	12,471
Other receivables from third parties	203	204
Total receivables (net)	**1,252**	**13,330**
Valuation allowance for receivables	(51)	(51)
Gross receivables	**1,303**	**13,381**

Below is presented an analysis of trade receivables, which as at 31 December 2013 and 31 December 2012 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**
31 December 2013	938	729	109	78	16	6
31 December 2012	655	581	66	3	4	1

23. Accrued expenses

	31 December 2013	31 December 2012

	31 December 2013	31 December 2012
Non-current	**0**	**0**
Insurance	33	40
Other (insurance, subscriptions)	83	105
Current	**116**	**145**

24. Cash and cash equivalents

	31 December 2013	31 December 2012
Cash on hand and in a bank account	76,278	4,929
Short-term deposits	0	70,364
	76,278	**75,293**

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.

25. Capital

25.1. Share capital

	31 December 2013	31 December 2012
Share capital		
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	57,000	57,000
Series J ordinary shares of par value PLN 1.00 per share	1,000	1,000
	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 31 December 2013:

(in PLN '000)

Shareholder	Number of shares	Number of votes	Share % in share capital	Share % in vote at general meeting
Leszek Czarnecki directly and indirectly (1)	229,126,674	229,126,674	51.19%	51.19%
including: LC Corp B.V. seated in Amsterdam	214,701,110	214,701,110	47.97%	47.97%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK (2)	30,200,000	30,200,000	6.75%	6.75%
ING Otwarty Fundusz Emerytalny (3)	30,322,627	30,322,627	6.78 %	6.78 %
OFE PZU "Złota Jesień" (3)	44,669,000	44,669,000	9.98 %	9.98 %

1) 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 214,701,110 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.
2) Number of shares held by a shareholder at the Extraordinary General Meeting of LC Corp S.A. on 29 August 2013
3) Number of shares held by a shareholder at the Extraordinary General Meeting of LC Corp S.A. on 6 December 2013

As at 31 December 2012 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 (*)	229,126,674	229,126,674	51.19%	51.19%
including: LC Corp B.V. seated in Amsterdam	214,701,110	214,701,110	47.97%	47.97%
ING Otwarty Fundusz Emerytalny	32,684,371	32,684,371	7.30%	7.30%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	36,800,000	36,800,000	8.22%	8.22%
OFE PZU "Złota Jesień"	30,000,000	30,000,000	6.70%	6.70%

(*)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 214,701,110 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.

(in PLN '000)

25.2. Reserve funds

As at 31 December 2013 reserve funds amount to PLN 333,863,000. 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.

Reserve funds were additionally increased by the amount of profit from previous years allocated to reserve funds and were decreased by the costs of loss for years 2006-2012 in the total amount of PLN 55,626,000.

25.3. Other capital reserves

As at 31 December 2013 other capital reserves amounted to PLN 30,000,000 and were created for the acquisition of own shares, by transferring the amount of PLN 30,000,000 from reserve funds (originally derived from the Company's profit transferred to the reserve funds).

25.4. Other capital

As at 31 December 2013 other capital of PLN 3,068,000 was created as a result of the valuation of fair value of management options in 2007 (PLN 3,108,000) and decreased by PLN 40,000.

26. Financial liabilities

	Maturity	31 December 2013	31 December 2012
Non-current			
Bank loan in PLN (a)	31 Jan 2016	29,880	29,831
Bond scheme (b)	-	-	99,719
Bond scheme (c)	25 May 2015	64,724	64,529
Bond scheme (d)	30 Oct 2018	49,419	-
Investment notes (e)	-	-	14,751
Investment notes (f)	30 Jun 2015	11,473	-
Investment notes (g)	09 Dec 2016	34,804	
		190,300	**208,830**

	Maturity	31 December 2013	31 December 2012
Current			
Bond scheme (b)	15 Apr 2014	90,158	1,715
Bond scheme (c)	27 Mai 2014	395	524
Bond scheme (d)	30 Apr 2014	511	-
Investment notes (e)	31 Jan 2014	15,729	-
Investment notes (f)	-	-	10,997
Investment notes (g)	-	-	33,398
Bond scheme (h)	-	-	20
Loans (i)	31 Dec 2014	3,772	3,772
		110,565	**50,426**

(a) A loan in PLN contracted in Getin Noble Bank S.A.
(b) Coupon bonds - 1,000 unsecured three-year coupon bonds with a par value of PLN 100,000 each issued on 15 April 2011. On 26 November 2013, LC Corp S.A. acquired, for the purpose of redemption,110 of these bonds with a par value of PLN 100,000 each, with a total par value of PLN 11,000,000.00. The bonds were acquired by the Issuer for the purpose of redeeming them, pursuant to Art. 25.1 of the Act on Bonds of 29 June 1995 (Dz. U. /Journal of Laws/ of 2001, No. 120, item 1300 as amended).
(c) Coupon bonds - 650 unsecured three-year coupon bonds with a par value of PLN 100,000 each issued on 1 June 2012

(in PLN '000)

(a) Coupon bonds – 500 unsecured five-year coupon bonds with a value of PLN 100,000 each and with a total par value of PLN 50,000,000 issued on 31 October 2013 under the Bond Issuance Programme Agreement concluded with the Pekao S.A. banks with its registered office in Warsaw and BRE Bank S.A with its registered office in Warsaw with the maturity at 30 October 2018.

(b) Investment notes – seven investment notes issued on 9 March 2012 with a par value of PLN 2,000,000 each, acquired by a subsidiary undertaking - Arkady Wrocławskie S.A. On 31 January 2014 the maturity was changed by annexe from 31 January 2014 into 31 January 2017 (see Note 37).

(c) Investment notes – ten investment notes issued on 20 January 2011 with a par value of PLN 1,000,000 each acquired by a subsidiary undertaking - Arkady Wrocławskie S.A. On 29 May 2013 an annexe was concluded in which the maturity was changed from 28 June 2013 into 30 June 2015

(d) Investment notes – thirty investment notes issued on 9 December 2010 with a par value of PLN 1,000,000 each acquired by a subsidiary undertaking Warszawa Przyokopowa Sp. z o.o. On 9 December 2013 an annexe was concluded in which the maturity was changed from 9 December 2013 to 9 December 2016.

(e) A liability under a trust agreement concluded with Getin Noble Bank S.A. on the management stock option plan. On 11 December 2013, LC Corp S.A. redeemed bonds.

(f) The loan liability under the agreement concluded on 8 July 2008, granted by the subsidiary andertaking, Warsaw Przyokopowa Sp. z o.o.

In the year ended 31 December 2013, the average weighted interest of borrowings, bonds and investment notes amounted to 6,7 %. The average weighted interest of borrowings, bonds and investment notes in 2012 amounted to 8%.

27. Liabilities arising from the acquisition of a subsidiary

Due to the deferred payment, the prices for the Sky Tower S.A.'s shares, as at 31 December 2013, the discount in the amount of PLN 27,164,was disclosed in liabilities arising from the acquisition of the shares.

	31 December 2013	31 December 2012
Non-current	175,572	0
Current	41,264	0
Total	**216,836**	**0**

28. Provisions

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

	For retirement and disability severance payments, and death benefits	*For removal of construction defects (*)*	*total*
As at 1 January 2013	**19**	**0**	**19**
Created during financial period	0	220	220
Used	0	(209)	(209)
Released	0	0	0
As at 31 December 2013	**19**	**11**	**30**
Current as at 31 December 2013	0	11	11
Non-current as at 31 December 2013	19	0	19
As at 1 January 2012	**19**	**0**	**19**
Created during financial year	0	0	0
Used	0	0	0

(in PLN '000)

Released	0	0	0
As at 31 December 2012	**19**	**0**	**19**
Current as at 31 December 2012	0	0	0
Non-current as at 31 December 2012	19	0	19

(*) refers to the investment realized by LC Corp Invest Sp. z o.o, acquired after merging on 17 November 2011

29. Liabilities

29.1. Trade and other payables

	31 December 2013	31 December 2012
Trade payables	823	474
Budget liabilities (without income tax)	361	293
Liabilities – payment to subsidiary's share capital (*)	0	5,000
Other liabilities	70	58
	1,254	**5,825**

(*) See Note 17a

Trade and other payables are interest-free and usually settled within 14 days. Budget liabilities are settled at statutory dates.

29.2. Contingent liabilities

Except for contingent liabilities in the form of the security for repayment of bank loans, as detailed in Note 34.3, the Company has no other undisclosed significant liabilities of that kind.

29.3. Investment liabilities

As at 31 December 2013 (and 31 December 2012, respectively) the Company does not plan to incur significant expenditures on property, plant and equipment and intangible assets and does not have any significant contractual obligations whose subject matter is acquisition of property, plant and equipment and intangible assets.

29.4. Court proceedings

Currently, no proceedings before court or public administration authorities have been initiated with regard to liabilities or receivables of LC Corp S.A. and its subsidiaries, whose total value would be significant in terms of financial standing of LC Corp S.A.

30. Accrued expenses and revenues

	31 December 2013	31 December 2012
Non-current	**0**	**0**
Liability due to employee wages	2,500	2,313
Liability due to balance-sheet audit	156	105
Liability due to costs of holiday equivalents	299	275
Other	48	3
Current	**3,003**	**2,696**

	31 December 2013	31 December 2012
Accrued revenues on sale of flats	0	0
Accrued revenues	**0**	**0**

(in PLN '000)

31. Transactions with related undertakings

he following tables show total amounts of transactions concluded with related undertakings for the year ended 31 December 2013 and 31 December 2012:

Related undertaking		Sales	Purchases	Trade and other receivables	Trade and other payables	Loans and non-current receivables and current financial assets	Financial liabilities	Financial income (interest)	Financial expenses (interest, discounts)
Shareholders									
LC Corp B.V (*)	2013	-	259,000	-	-	-	244 000	-	-
Leszek Czarnecki	2013	-	-	-	-	-	-	-	-
Jednostki zależne									
Arkady Wrocławskie S.A.	2013	809	1,326	233	319	-	27,203	-	1,455
Sky Tower S.A.	2013	26	-	32	-	-	-	-	-
Warszawa Przyokopowa Sp. z o.o.	2013	554	348	213	-	-	34,805	-	1,406
Kraków Zielony Złocień Sp. z o.o.	2013	374	-	42	-	-	-	428	-
LC Corp Invest I Sp. z o.o.	2013	53	-	5	-	416,053	-	19,580	-
LC Corp Invest II Sp.z o.o.	2013	65	-	6	-	-	-	226	-
LC Corp Invest III Sp. z o.o.	2013	215	-	27	-	-	-	78	-
LC Corp Invest VII Sp.z o.o.	2013	75	45,121	10	-	-	-	1,844	-
LC Corp Invest VIII Sp.z o.o	2013	426	-	31	-	-	-	785	-
LC Corp Invest IX Sp.z o.o.	2013	143	-	12	-	-	-	1,092	-
LC Corp Invest X Sp.z o.o	2013	1,906	-	12	-	-	-	1,003	-
LC Corp Invest XI Sp.z o.o.	2013	65	-	6	-	-	-	1,498	-
LC Corp Invest XII Sp. z o.o.	2013	32,724	-	6	-	-	-	3,697	-
LC Corp Invest XV Sp. z o.o.	2013	11	-	1	-	-	-	-	-
LC Corp Invest XV Sp. z o.o.Projekt 1 Sp.k	2013	595	-	49	-	-	-	-	-

(in PLN '000)

LC Corp Invest XV Sp. z o.o.Projekt 2 Sp.k	2013	2,709	-	37	-	-	-	-	-
LC Corp Invest XV Sp. z o.o.Projekt 3 Sp.k	2013	129	-	21	-	-	-	-	-
LC Corp Invest XV Sp. z o.o.Projekt 4 Sp.k	2013	229	-	33	-	-	-	98	-
LC Corp Invest XV Sp. z o.o.Projekt 5 Sp.k	2013	372	-	38	-	-	-	-	-
LC Corp Invest XV Sp. z o.o.Projekt 6 Sp.k	2013	398	-	42	-	-	-	-	-
LC Corp Invest XV Sp. z o.o.Projekt 7 Sp.k	2013	208	-	49	-	-	-	-	-
LC Corp Invest XV Sp. z o.o.Projekt 8 Sp.k	2013	16,282	-	44	-	-	-	-	-
LC Corp Invest XV Sp. z o.o.Projekt 9 Sp.k	2013	49	-	14	-	-	-	-	-
LC Corp Invest XV Sp. z o.o.Projekt 10 Sp.k	2013	2	-	1	-	-	-	-	-
LC Corp Invest XV Sp. z o.o.Projekt 14 S.K.A.	2013	338	-	33	-	-	-	-	-
LC Corp Invest XV Sp. z o.o.Finance S.K.A.	2013	42	-	35	-	-	-	-	-
LC Corp Invest XV Sp. z o.o.Investments S.K.A.	2013	3	-	1	-	-	-	-	-
LC Corp Invest XVI Sp. z o.o.	2013	11	-	1	-	-	-	-	-
LC Corp Invest XVII Sp. z o.o.	2013	11	-	1	-	-	-	-	-
LC Corp Invest XVII Sp. z o.o.Projekt 20 Sp.k	2013	50	-	49	-	-	-	-	-
Undertakings related through shareholders									
LC Corp Sky Tower Sp. z o.o.	2013	145	1	11	-	-	-	-	-
RB Computer Sp. z o.o.	2013	-	120	-	17	-	-	-	-
RB Nova Sp. z o.o.	2013	3	-	-	-	-	-	-	-
Open Finance S.A.	2013	-	6	-	7	-	-	-	-
Getin Noble Bank S.A.	2013	-	163	-	-	-	30,000	4,145	1,658
Noble Concierge Sp. z o.o	2013	-	93	-	-	-	-	-	-
Noble Securities S.A.	2013	-	230	-	-	-	-	-	-

(*) See Note 31.1

(in PLN '000)

Related undertaking		Sales	Purchases	Trade and other receivables	Trade and other payables	Loans and non-current receivables and current financial assets	Financial liabilities	Financial income (interest)	Financial expenses (interest, discounts)
Shareholders									
LC Corp B.V	2012	-	25 000	-	-	-	-	-	-
Leszek Czarnecki	2012	-	-	-	-	-	-	-	-
Subsidiary undertakings									
Arkady Wrocławskie S.A.	2012	803	939	234	-	-	25,748	-	1,264
Warszawa Przyokopowa Sp. z o.o.	2012	463	-	93	-	-	37,171	-	2,128
Kraków Zielony Złocień Sp. z o.o.	2012	419	54,215	83	-	43,234	-	7,177	-
LC Corp Invest I Sp. z o.o.	2012	53	-	5	-	287,373	-	13,185	-
LC Corp Invest II Sp.z o.o.	2012	65	-	6	-	5,555	-	266	-
LC Corp Invest III Sp. z o.o.	2012	263	-	22	-	11,952	-	982	-
LC Corp Invest VII Sp.z o.o.	2012	65	-	6	-	56,346	-	2,933	-
LC Corp Invest VIII Sp.z o.o	2012	467	-	66	-	25,877	-	1,701	-
LC Corp Invest IX Sp.z o.o.	2012	138	-	13	-	24,441	-	1,366	-
LC Corp Invest X Sp.z o.o	2012	290	-	22	-	25,174	-	1,201	-
LC Corp Invest XI Sp.z o.o.	2012	65	-	6	-	47,393	-	4,084	-
LC Corp Invest XII Sp. z o.o.	2012	65	-	6	-	78,427	-	3,658	-
LC Corp Invest XV Sp. z o.o.	2012	12	-	1	-	-	-	1	-
LC Corp Invest XV Sp. z o.o.Projekt 1 Sp.k	2012	17,967	-	34	-	-	-	-	-
LC Corp Invest XV Sp. z o.o.Projekt 2 Sp.k	2012	376	-	60	-	-	-	166	-
LC Corp Invest XV Sp. z o.o.Projekt 3 Sp.k	2012	77	-	9	-	-	-	-	-
LC Corp Invest XV Sp. z o.o.Projekt 4 Sp.k	2012	41	-	4	-	4,481	-	263	-
LC Corp Invest XV Sp. z o.o.Projekt 5 Sp.k	2012	3,662	-	29	-	-	-	-	-
LC Corp Invest XV Sp. z o.o.Projekt 6 Sp.k	2012	232	-	34	-	-	-	-	-
LC Corp Invest XV Sp. z o.o.Projekt 7 Sp.k	2012	115	-	1	-	-	-	-	-

(in PLN '000)

LC Corp Invest XV Sp. z o.o.Projekt 8 Sp.k	2012	10	-	2	-	-	-	-	-
LC Corp Invest XV Sp. z o.o.Projekt 20 Sp.k	2012	10	-	12	-	-	-	-	-
LC Corp Invest XV Sp. z o.o.Projekt 14 S.K.A.	2012	494	35	46	-	-	-	642	-
LC Corp Invest XV Sp. z o.o.Finance S.K.A.	2012	19	-	5	-	-	-	-	-
LC Corp Invest XVI Sp. z o.o.	2012	11	-	1	-	-	-	1	-
LC Corp Invest XVII Sp. z o.o.	2012	54	-	1	-	-	-	-	-
Undertakings related through shareholders									
LC Corp Sky Tower Sp. z o.o.	2012	99	-	11	-	-	-	-	-
RB Computer Sp. z o.o.	2012	-	115	-	-	-	-	-	-
RB Nova Sp. z o.o.	2012	2	-	-	-	-	-	-	-
Getin Noble Bank S.A.	2012	-	240	-	-	-	30,000	5,961	1,795
Noble Securities S.A.	2012	-	30	-	-	-	-	-	-

(in PLN '000)

31.1. The Parent Undertaking of the whole Group

LC Corp B.V.

On 6 December 2013, LC Corp S.A. acquired from LC Corp B.V. 100% of Sky Tower S.A.'s shares for the amount of PLN 259 million paid in installments until 31 December 2019 and became the sole shareholder of the company (see Note 17b). On that day, the company became a part of the LC Corp capital group. In connection with the deferred payments, a purchase price recognized in the consolidated financial statements, at the date of purchase, was discounted and the discount in the amount of PLN 27,802,000 was included in the investment cost and in liabilities arising from the acquisition of the shares. (see Nore 17, 27).

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 47.97% shares of LC Corp S.A. In the year ended 31 December 2012, there were no transactions with the LC Corp S.A.

31.2. Remuneration to senior management of the Company

	Year ended 31 December 2013	Year ended 31 December 2012
Short-term employee benefits	2,326	2,136
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	**2,326**	**2,136**

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

Remuneration to members of the Management Board and the Supervisory Board:

	Year ended 31 December 2013	Year ended 31 December 2012
Management Board – remuneration	4,194	2,908
Management Board - share-based remuneration	0	0
Supervisory Board – remuneration	94	96
Supervisory Board - share-based remuneration	0	0
Total	**4,288**	**3,004**

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

2013

On 28 October 2013, an agreement was concluded with Ernst & Young Audyt Polska Sp. z o.o. Sp.k (formerly 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 2013. The total amount of remuneration under the agreement totals PLN 95,000 net. On 15 July 2013, an agreement with an annexe was concluded on carrying out a review of H1 2013 financial statements and consolidated financial statements of LC Corp S.A. The total amount of remuneration under this agreement was PLN 62,000 net. On 1 August 2013, an agreement on accounting consulting was concluded. The remuneration under this agreement amounts to PLN 77,000 net.

2012

On 15 November 2012, 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 2012. The total amount of remuneration under the agreement concluded with the entity qualified for auditing financial statements is PLN 95,000 net. On 16 July 2011, an agreement was concluded on carrying out a review of H1 2012 financial statements and consolidated financial statements of LC Corp S.A. The total amount of remuneration under the agreement was PLN 48,000.

33. Rules Governing Financial Risk Management

The main financial instruments which the Company uses include bank loans, investment notes and bonds. The main purpose of these financial instruments is to obtain financial resources for the Company's activity. 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.

33.1. Interest rate risk

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

33.2. 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 31 December 2013, trade receivables amounted to PLN 938,000, an analysis of their maturity is presented in Note 22..

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.

33.3. 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, investment notes and loans as at 31 December 2013 and 31 December 2012, by maturity dates..

The tables below show the Company's liabilities as at 31 December 2013 and as at 31 December 2012 by maturity dates.

31 December 2013

Fixed interest rate [PLN '000]

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Investment notes	15,729(*)	11 473	34 804	-	-	-	62 006
	15,729	**11 473**	**34 804**	**-**	**-**	**-**	**62 006**

(*) On 31 January 2014, there was changed in annexe in the maturity of notes from 31 January 2014 into 31 January 2017 (see Note 37).

Floating interest rate

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Coupon bonds in PLN	91,195	65,000	-	-	50,000	-	206,195
Bank oans in PLN (WIBOR)		-	30,000		-	-	30,000
Loans	3,772	-	-	-	-	-	3,772
	94,967	**65,000**	**30 000**	**-**	**50 000**	**-**	**239,967**

Interest-free [PLN '000]

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Liabilities arising from the Acquisition of a subsidiary	42,000	40,400	40,400	40,400	40,400	40,400	244,000
Trade and other payables	1,254	-	-	-	-	-	1,254
	43,254	**40,400**	**40,400**	**40,400**	**40,400**	**40,400**	**245,254**

31 December 2012

Fixed interest rate [PLN '000]

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Zero coupon bonds	20	-	-	-	-	-	20
Investment notes	44,395	14,751	-	-	-	-	59,146
	44,415	**14,751**	**-**	**-**	**-**	**-**	**59,166**

Floating interest rate

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Coupon bonds in PLN	2,397	100,000	65,000	-	-	-	167,397
Bank oans in PLN (WIBOR)	-	-	-	30,000	-	-	30,000
Loans	3,772	-	-	-	-	-	3,772
	6,169	**100,000**	**65,000**	**30,000**	**-**	**-**	**201,169**

34. Financial instruments

34.1. 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	
	31 December 2013	**31 December 2012**
Loans and receivables		
Cash	76,278	75,293
Loans granted	413,397	609,391
Trade and other receivables *(without budget receivables)*	1,141	859
Financial liabilities at amortized cost		
Trade and other payables *(without budget liabilities)*	893	5,532
Liabilities arising from the acqusition of a subsidiary	216,836	0
Interest-bearing bank loans and borrowings:		
Loans, bonds and borrowings at a floating interest rate	238,859	200,090
Loans, bonds and borrowings at a fixed interest rate	62,006	59,166

The fair values of items presented in the table above are close to their the balance-sheet values.

34.2. Interest rate risk

The tables below show the balance-sheet value of the Company's financial instruments estimated at amortized cost, at risk of interest rate, divided into different categories of assets and liabilities

31 December 2013

Fixed interest rate [PLN '000]

	<1 year	***1-2 years***	***2-3 years***	***3-4 years***	***4-5 years***	***>5 years***	***Total***
Investment notes	15,729(*)	11,473	34,804				62,006
	15,729	**11,473**	**34,804**	**-**	**-**	**-**	**62,006**

(*) On 31 January 2014, there was changed in annexe in the maturity of notes from 31 January 2014 into 31 January 2017 (see Note 37).

Floating interest rate [PLN '000]

	<1 year	***1-2 years***	***2-3 years***	***3-4 years***	***4-5 years***	***>5 years***	***Total***
Coupon bonds	91,064	64,724		-	49,419	-	205,207
Bank loans in PLN (WIBOR)	-	-	29,880		-	-	29,880
Loans	3,772	-	-	-	-	-	3,772

	94,836	**64,724**	**29,880**	**-**	**49,419**	**-**	**238,859**

Interest-free [PLN '000]	*<1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Liabilities arising from the Acquisition of a subsidiary	42,000	40,400	40,400	40,400	40,400	40,400	244,000
Trade and other payables	1,254	-	-	-	-	-	1,254
	43,254	**40,400**	**40,400**	**40,400**	**40,400**	**40,400**	**245,254**

31 December 2012

Fixed interest rate [PLN '000]	*<1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Zero coupon bonds	20	-	-	-	-	-	20
Investment notes	44,395	14,751					59,146
	44,415	**14,751**	**-**	**-**	**-**	**-**	**59,166**

Floating interest rate [PLN '000]	*<1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Coupon bonds	2,239	99,719	64,529	-	-	-	166,487
Bank loans in PLN (WIBOR)	-	-	-	29,831	-	-	29,831
Loans	3,772	-	-	-	-	-	3,772
	6,011	**99,719**	**64,529**	**29,831**	**-**	**-**	**200,090**

34.3. Collateral

As at 31 December 2013, the main collateral for repayment of loans was:

1) Collateral to the bank loan agreement contracted by LC Corp S.A. in Getin Noble Bank S.A. is:
   - contractual capped mortgage of the highest priority up to the amount of PLN 45,000,000
   - a declaration of submission to enforcement pursuant to art. 97 of the Banking Law

2) Collateral for repayment of loans in subsidiary companies of LC Corp S.A., includes:

- pledge on shares of Arkady Wrocławskie S.A. owned by LC Corp SA – up to EUR 91,500,000,

- registered pledge on all shares in Sky Tower S.A. and financial registered pledges up to the amount of EUR 90,000,000,

- registered pledge on all shares in Warszawa Przyokopowa Sp. z o.o. along with financial pledge,

- support agreement entered into between the borrower, the bank and LC Corp S.A., under which, in the case of exceeding construction costs, LC Corp S.A. is required provide the borrower with necessary funds up to 10% of the projected construction costs

(in PLN '000)

35. 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 31 December 2013 and until 31 December 2012 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.

	31 December 2013	31 December 2012
Interest-bearing bonds, notes and borrowings	300,865	259,256
Liabilities arising from the acquisition of a subsidiary	216,836	0
Trade payables and other liabilities	893	5,532
A. Debt	**518,594**	**264,788**
B. Equity	**837,911**	**814,489**
Leverage ratio (A/B)	**0.62**	**0.33**

36. Structure of employment

	Year ended 31 December 2013	Year ended 31 December 2012
Management Board of the Issuer	4.1	4.0
White collar / administrative staff	71.4	58.8
Blue collar	0	0
Total	**75.5**	**62.8**

37. Events subsequent to the balance-sheet date

1) On 31 January 2014, LC Corp SA concluded with Arkady Wrocławskie S.A.an annexe to the agreement on the issue, purchase and redemption of securities in the form of notes dated 9 March 2012. The date of the redemption of 7 notes issued by LC Corp SA, acquired by Arkady Wrocławskie S.A., was changed from 31 January 2014 to 31 January 2017.

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President Dariusz Niedośpiał Chief Accountant Lidia Kotowska

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Vice-President Joanna Jaskólska

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Member of the Board Mirosław Kujawski

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Member of the Board Tomasz Wróbel

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Member of the Board Małgorzata Danek

Wrocław, 20 March 2014