



LC CORP GROUP

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
WITH THE STATUTORY AUDITOR'S REPORT**

LC Corp GROUP

Consolidated Financial Statements for the Year Ended 31 December 2017
(PLN '000)

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President of Management Board
Dariusz Niedośpiał

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Member of Management Board
Mirosław Kujawski

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Member of Management Board
Tomasz Wróbel

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Member of Management Board
Małgorzata Danek

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Member of Management Board
Radosław Stęfurak

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Director of Accounting
Department
Lidia Kotowska

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Chief Accountant
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Head of Financial Reporting and
Consolidation
Michał Michalczyk

LC Corp GROUP

Consolidated Financial Statements for the Year Ended 31 December 2017
(PLN '000)

Consolidated Statement of Financial Position

as at 31 December 2017 (PLN'000)

	Note	31 December 2017 (audited)	31 December 2016 (audited)
Assets			
A. Non-current assets		1,920,718	1,920,925
1. Intangible assets	15	452	434
2. Property, plant and equipment	16	5,749	5,335
2.1. Tangible assets		5,731	5,321
2.2. Tangible assets under construction		18	14
3. Non-current receivables	17	11,684	7,191
4. Land classified as non-current assets	18	86,254	86,237
5. Investment property	19	1,804,524	1,810,369
6. Non-current prepayments and accrued income	24	2,459	387
7. Deferred tax assets	13.3	9,596	10,972
B. Current assets		1,378,931	1,276,180
1. Inventory	20	977,865	884,540
2. Trade and other receivables	21	31,972	26,667
3. Income tax receivable		1,191	187
4. Current financial assets	22	16,915	5,471
5. Cash and other cash equivalents	23	344,248	354,851
6. Current prepayments and accrued income	24	6,740	4,464
C. Non-current assets classified as held for sale		-	-
Total assets		3,299,649	3,197,105
Equity and liabilities			
A. Equity		1,448,376	1,396,152
I. Equity attributable to shareholders of the parent		1,448,376	1,396,152
1. Share capital	25.1	447,558	447,558
2. Other capital	25.2	920,578	835,470
3. Net profit/(loss)		80,240	113,124
II. Minority interest		-	-
B. Non-current liabilities		1,047,931	1,109,453
1. Non-current liabilities on account of loans and bonds	26	902,108	921,805
2. Non-current liabilities on account of the acquisition of a subsidiary	27	37,641	73,974
3. Provisions	29	22	22
4. Deferred tax reserve	13.3	108,160	113,652
C. Current liabilities		803,342	691,500
1. Current liabilities on account of loans and bonds	26	179,601	170,167
2. Current liabilities on account of the acquisition of a subsidiary	27	38,996	38,996
3. Current trade and other liabilities	28.1	118,423	89,895
4. Income tax liabilities		9,257	5,554
5. Provisions	29	1,799	1,456
6. Accrued expenses and revenue	30	455,266	385,432
Total equity and liabilities		3,299,649	3,197,105

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President of Management Board
Dariusz NiedzoŃal

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Head of Financial Reporting and
Consolidation
Michał Michalczyk

Accounting principles (policies) and Additional explanatory notes to the consolidated financial statements enclosed on pages 11 to 76 form their integral part

LC Corp GROUP

Consolidated Financial Statements for the Year Ended 31 December 2017
(PLN '000)

Consolidated Statement of Comprehensive Income for the year ended 31 December 2017 (PLN '000)

	Note	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
Operating activity			
Sales revenue	12.1	706,187	547,036
Revenue from sales of services		143,453	145,074
Revenue from sales of goods and products		562,734	401,962
Cost of sales	12.2	(445,360)	(339,180)
Pre-tax profit/(loss) on sales		260,827	207,856
Gain/(loss) on disposal of non-current non-financial assets		-	9
Revaluation of non-financial non-current assets	12.3	(119,290)	59,572
Write-downs of inventories	20	-	(25,394)
Selling and distribution cost	12.2	(15,513)	(13,903)
General administrative expenses	12.2	(35,120)	(26,788)
Other operating income	12.6	2,923	4,832
Other operating expenses	12.7	(4,559)	(2,420)
Operating profit/(loss)		89,268	203,764
Financial income	12.8	44,885	4,738
Financial expenses	12.9	(32,336)	(56,493)
Pre-tax profit/(loss)		101,817	152,009
Income tax (tax burden)	13.1	(21,577)	(38,885)
Net profit/(loss) on business activities		80,240	113,124
Discontinued operations			
Profit (loss) on discontinued operations		-	-
Net profit/(loss)		80,240	113,124
Other comprehensive income			
<i>Items subject to reclassification to profit/(loss) in subsequent reporting periods:</i>			
Financial assets available for sale		-	(204)
Cash flow hedges		3,916	(1,005)
Income tax relating to other components of comprehensive income		(603)	187
Other comprehensive income (net)		3,313	(1,022)
Total comprehensive income		83,553	112,102

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Consolidated Financial Statements for the Year Ended 31 December 2017
(PLN '000)

		Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
Net profit/(loss) attributable to:			
Equity holders of the parent		80,240	113,124
Minority interest		-	-
		80,240	113,124
Comprehensive income attributable to:			
Equity holders of the parent		83,553	112,102
Minority interest		-	-
		83,553	112,102
Profit/(loss) per share attributable to equity holders of the parent (basic) (PLN)	14	0.18	0.25
Profit/(loss) per share attributable to equity holders of the parent (diluted) (PLN)	14	0.18	0.25

LC Corp GROUP

Consolidated Financial Statements for the Year Ended 31 December 2017
(PLN '000)

Consolidated Statement of Cash Flows for the year ended 31 December 2017 (PLN '000)

	Note	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
A. Cash flows from operating activities			
I. Pre-tax profit/(loss)		101,817	152,009
II. Total adjustments		65,075	47,037
1. Depreciation and amortisation		1,034	915
2. Foreign exchange gains (losses)		(39,892)	21,394
3. Interest and distributions from profit (dividends)		38,327	38,485
4. Profit (loss) on investing activities		-	(245)
5. Profit (loss) in respect of revaluation of non-financial non-current assets	19	118,726	(57,958)
6. Change in provisions		343	759
7. Change in inventories		(94,006)	(54,213)
8. Change in receivables		(9,798)	10,232
9. Change in current liabilities except for loans and bonds	31.1	20,030	9,561
10. Change in accruals and deferrals		65,486	124,621
11. Income tax		(23,597)	(10,473)
12. Other adjustments	31.2	(11,578)	(36,041)
III. Net cash flow from operating activities (I+II)		166,892	199,046
B. Cash flows from investing activities			
I. Cash inflows		-	300
1. Sale of intangible assets and property, plant and equipment		-	29
2. From financial assets		-	271
II. Cash outflows		(141,518)	(102,253)
1. Acquisition of intangible assets and property, plant and equipment		(802)	(689)
2. Cash used on investment property		(100,316)	(61,164)
3. Cash used on financial assets		(40,400)	(40,400)
III. Net cash flow from investing activities (I+II)		(141,518)	(101,953)
C. Cash flows from financing activities			
I. Cash inflows		99,354	192,954
1. Loans and borrowings	26	49,354	52,954
2. Issue of debt securities	26	50,000	140,000
II. Cash outflows		(135,331)	(177,283)
1. Repayment of loans and borrowings	26	(65,154)	(65,728)
2. Redemption of debt securities		-	-
3. Interest		(38,848)	(30,995)
4. Dividends paid to equity holders of the parent		(31,329)	(80,560)
III. Net cash flows from financing activities (I+II)		(35,977)	15,671
D. Total net cash flows, (A.III+B.III+C.III)		(10,603)	112,764
E. Balance-sheet change in cash, including:		(10,603)	112,764
F. Cash at the beginning of period		354,851	242,087
G. Cash at the end of period (F+D)	23	344,248	354,851
- restricted cash	23	10,641	641

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LC Corp GROUP

Consolidated Financial Statements for the Year Ended 31 December 2017
(PLN '000)

Consolidated Statement of Changes in Equity for the year ended 31 December 2017 (PLN '000)

	Share capital	Other capital		Net profit/(loss)	Total capital attributable to shareholders of the parent	Minority interest	Total equity
		Reserve funds, other reserve funds and retained earnings	Other funds				
As at 1 January 2017	447,558	838,543	(3,073)	113,124	1,396,152	-	1,396,152
Net profit/(loss) for 2017	-	-	-	80,240	80,240	-	80,240
Other comprehensive income for 2017	-	-	3,313	-	3,313	-	3,313
Total comprehensive income for 2017	-	-	3,313	80,240	83,553	-	83,553
Transfer of profit for the previous period to undistributed profit	-	113,124	-	(113,124)	-	-	-
Payment of dividend (*)	-	(31,329)	-	-	(31,329)	-	(31,329)
As at 31 December 2017 (audited)	447,558	920,338	240	80,240	1,448,376	-	1,448,376

(*) - see Note 32.2

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LC Corp GROUP

Consolidated Financial Statements for the Year Ended 31 December 2017
(PLN '000)

	Share capital	Other capital		Net profit/(loss)	Total capital attributable to shareholders of the parent	Minority interest	Total equity
		Reserve funds, other reserve funds and retained earnings	Other funds				
As at 1 January 2016	447,558	810,171	(2,051)	108,932	1,364,610	-	1,364,610
Net profit/(loss) for 2016	-	-	-	113,124	113,124	-	113,124
Other comprehensive income for 2016	-	-	(1,022)	-	(1,022)	-	(1,022)
Total comprehensive income for 2016	-	-	(1,022)	113,124	112,102	-	112,102
Transfer of profit for the previous period to undistributed profit	-	108,932	-	(108,932)	-	-	-
Payment of dividend	-	(80,560)	-	-	(80,560)	-	(80,560)
As at 31 December 2016 (audited)	447,558	838,543	(3,073)	113,124	1,396,152	-	1,396,152

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LC Corp GROUP

Consolidated Financial Statements for the Year Ended 31 December 2017
(PLN '000)

Accounting Principles (Policies) and Additional Explanatory Notes

1. General Information

The LC Corp Group (the "Group") consists of LC Corp S.A. and its subsidiary undertakings (see Note 2). The Group's consolidated financial statements cover the year ended 31 December 2017 and contain comparative information for the year ended 31 December 2016 and as at the 31 December 2016.

LC Corp S.A. (the "Parent Undertaking", the "Company") was established by the Notarial Deed dated 3 March 2006. The Company's registered office is situated in Wrocław, Poland, at ul. Powstańców Śląskich 2-4. The Parent Undertaking has been entered into the register of entrepreneurs of the National Court Register maintained by the District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, under KRS No. 0000253077.

The Company has been assigned statistical identification number REGON 020246398.

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

- PKD 6420Z Activities of financial holding companies
- PKD 6820Z Rental and management of own or leased real estate
- PKD 4110Z Completion of construction projects related to putting up buildings
- PKD 6810Z Buying and selling of own real estate
- PKD 4120Z Construction works related to the completion of residential and non-residential buildings

The Parent Undertaking of LC Corp S.A. until 15 September 2017 was LC Corp B.V., controlled by Mr Leszek Czarnecki. As a result of a transaction conducted on 15 September 2017, under which all the shares held by Mr Leszek Czarnecki and all the entities controlled by him (LC Corp B.V. with its registered office in Amsterdam, Open Finance S.A. with its registered office in Warsaw, Open Life TUŻ S.A. with its registered office in Warsaw and Getin Noble Bank S.A. with its registered office in Warsaw) were disposed of, Mr Czarnecki and all the aforementioned entities, as at 19 September 2017, lost control over the Company and ceased to be its Parent Undertaking within the meaning of the Polish Code of Commercial Partnerships and Companies. Currently, the Company has no Parent Undertaking.

2. Composition of Group

As at 31 December 2017 and 31 December 2016, the LC Corp Group comprised the following subsidiaries of LC Corp S.A.:

Company name	Registered office	Effective share of LC Corp S.A.	
		31 December 2017 Share in Capital	31 December 2016 Share in Capital
Arkady Wrocławskie S.A.	Wrocław	100%	100%
Sky Tower S.A.	Wrocław	100%	100%
Warszawa Przyokopowa Sp. z o.o.	Wrocław	100%	100%
Kraków Zielony Złocień Sp. z o.o.	Wrocław	100% (indirectly and directly)	100% (indirectly and directly)
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%

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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 XVI Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XVII Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XVIII Sp. z o.o.	Wrocław	100%	100%
LC Corp Invest XIX Sp. z o.o. (1)	Wrocław	100%	-
LC Corp Invest XX Sp. z o.o. (2)	Wrocław	100%	-
LC Corp Invest XXI Sp. z o.o. (3)	Wrocław	100%	-
LC Corp Invest XXII Sp. z o.o. (4)	Wrocław	100%	-
LC Corp Invest XXIII Sp. z o.o. (5)	Wrocław	100%	-
LC Corp Invest XXIV Sp. z o.o. (6)	Wrocław	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.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 10 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 11 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 12 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Projekt 14 Sp. k.	Wrocław	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k.	Wrocław	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k.	Wrocław	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest XV Sp. z o.o. Finance S.K.A.	Wrocław	100% (indirectly)	100% (indirectly)
LC Corp Invest XV Sp. z o.o. Investments S.K.A.	Wrocław	100% (indirectly and directly)	100% (indirectly and directly)
LC Corp Invest XVIII Sp. z o.o. Real Estate S.K.A.	Wrocław	100% (indirectly and directly)	100% (indirectly and directly)

(1) On 20 February 2017, a new company was established under the name of LC Corp Invest XIX Spółka z ograniczoną odpowiedzialnością, with its registered office in Wrocław. The Company's share capital amounts to PLN 5,000.00, and the sole shareholder, which holds all the shares, is LC Corp S.A. The company was registered in the National Court Register (KRS) on 24 March 2017.

LC Corp GROUP

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- (2) On 20 September 2017, a new company was established under the name of LC Corp Invest XX Spółka z ograniczoną odpowiedzialnością, with its registered office in Wrocław. The Company's share capital amounts to PLN 5,000.00, and the sole shareholder, which holds all the shares, is LC Corp S.A.
- (3) On 20 September 2017, a new company was established under the name of LC Corp Invest XXI Spółka z ograniczoną odpowiedzialnością, with its registered office in Wrocław. The Company's share capital amounts to PLN 5,000.00, and the sole shareholder, which holds all the shares, is LC Corp S.A. The company was registered in the National Court Register (KRS) on 5 October 2017.
- (4) On 16 October 2017, a new company was established under the name of LC Corp Invest XXII Spółka z ograniczoną odpowiedzialnością, with its registered office in Wrocław. The Company's share capital amounts to PLN 50,000.00, and the sole shareholder, which holds all the shares, is LC Corp S.A. The company was registered in the National Court Register (KRS) on 8 November 2017.
- (5) On 16 October 2017, a new company was established under the name of LC Corp Invest XXIII Spółka z ograniczoną odpowiedzialnością, with its registered office in Wrocław. The Company's share capital amounts to PLN 50,000.00, and the sole shareholder, which holds all the shares, is LC Corp S.A. The company was registered in the National Court Register (KRS) on 30 November 2017.
- (6) On 16 October 2017, a new company was established under the name of LC Corp Invest XXIV Spółka z ograniczoną odpowiedzialnością, with its registered office in Wrocław. The Company's share capital amounts to PLN 50,000.00, and the sole shareholder, which holds all the shares, is LC Corp S.A. The company was registered in the National Court Register (KRS) on 12 December 2017.

As at 31 December 2017 and 31 December 2016, the share in the total vote held by the Parent Undertaking in its subsidiaries was equal to the share of the Parent Undertaking in the capitals of these entities.

3. Changes in Structure of Group

Acquisition and Sale of Subsidiaries

No transaction consisting in the acquisition or sale of business units was completed by the companies belonging to the Group in the year ended 31 December 2017.

No transaction consisting in the acquisition or sale of business units was completed by the companies belonging to the Group in the year ended 31 December 2016.

Newly Established Entities and Changes within Group

The following changes occurred in the Group in the year ended 31 December 2017:

- (1) On 20 February 2017, a new company was established under the name of LC Corp Invest XIX Spółka z ograniczoną odpowiedzialnością, with its registered office in Wrocław. The Company's share capital amounts to PLN 5,000.00, and the sole shareholder, which holds all the shares, is LC Corp S.A. The company was registered in the National Court Register (KRS) on 24 March 2017.
- (2) On 20 September 2017, a new company was established under the name of LC Corp Invest XX Spółka z ograniczoną odpowiedzialnością, with its registered office in Wrocław. The Company's share capital amounts to PLN 5,000.00, and the sole shareholder, which holds all the shares, is LC Corp S.A.
- (3) On 20 September 2017, a new company was established under the name of LC Corp Invest XXI Spółka z ograniczoną odpowiedzialnością, with its registered office in Wrocław. The Company's share capital amounts to PLN 5,000.00, and the sole shareholder, which holds all the shares, is LC Corp S.A. The company was registered in the National Court Register (KRS) on 5 October 2017.
- (4) On 16 October 2017, a new company was established under the name of LC Corp Invest XXII Spółka z ograniczoną odpowiedzialnością, with its registered office in Wrocław. The Company's share capital amounts to PLN 50,000.00, and the sole shareholder, which holds all the shares, is LC Corp S.A. The company was registered in the National Court Register (KRS) on 8 November 2017.
- (5) On 16 October 2017, a new company was established under the name of LC Corp Invest XXIII Spółka z ograniczoną odpowiedzialnością, with its registered office in Wrocław. The Company's share capital amounts to

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PLN 50.000,00, and the sole shareholder, which holds all the shares, is LC Corp S.A. The company was registered in the National Court Register (KRS) on 30 November 2017.

- (6) On 16 October 2017, a new company was established under the name of LC Corp Invest XXIV Spółka z ograniczoną odpowiedzialnością, with its registered office in Wrocław. The Company's share capital amounts to PLN 50.000,00, and the sole shareholder, which holds all the shares, is LC Corp S.A. The company was registered in the National Court Register (KRS) on 12 December 2017.

Apart from the aforementioned events, no other significant changes in the composition of the Group took place in the period from 1 January 2017 to 31 December 2017.

4. Composition of Management Board of Parent Undertaking

As at 1 January 2017, the Management Board of LC Corp S.A. comprised:

- President of the Management Board – Dariusz Niedośpiał
- First Vice President of the Management Board – Jakub Malski
- Member of the Management Board – Mirosław Kujawski
- Member of the Management Board – Tomasz Wróbel
- Member of the Management Board – Małgorzata Danek

On 1 October 2017, Radosław Stefurak was appointed to the Management Board of LC Corp S.A. as Member of the Management Board.

As at 31 December 2017, the Management Board of LC Corp S.A. comprised:

- President of the Management Board – Dariusz Niedośpiał
- First Vice President of the Management Board – Jakub Malski
- Member of the Management Board – Mirosław Kujawski
- Member of the Management Board – Tomasz Wróbel
- Member of the Management Board – Małgorzata Danek
- Member of the Management Board – Radosław Stefurak

After the balance sheet date, on 9 February 2018, Jakub Malski was removed from the Management Board of LC Corp S.A.

As at the date of drawing up these consolidated financial statements, the Management Board of LC Corp S.A. comprised:

- President of the Management Board – Dariusz Niedośpiał
- Member of the Management Board – Mirosław Kujawski
- Member of the Management Board – Tomasz Wróbel
- Member of the Management Board – Małgorzata Danek
- Member of the Management Board – Radosław Stefurak

5. Approval of Consolidated Financial Statements

These consolidated financial statements were approved by the Management Board on 19 March 2018.

6. Significant Values Based on Professional Judgement and Estimates

6.1. Professional Judgement

In the process of applying the accounting principles (policies) to the issues specified hereinbelow, the professional judgement of the management was, apart from the accounting estimates, of the greatest importance.

Determination of Moment When, Upon Sale of Residential and Retail Premises, Risk Is Transferred to Client

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

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;
- (iv) signing of the developer agreement or notarial deed transferring the title.

In the case of the financing of part of the price by the state in accordance with the Act of 27 September 2013 on state aid in the purchase of the first flat by young people (MDM), the conditions set out in item (ii) are also met when a bank financing the client confirms the reservation of funds (the last instalment of the payment) for this purpose with the applicable provision in the developer agreement.

Investment Property Under Construction

As at 31 December 2017, the following office buildings were categorised as investment property under construction:

- Retro Office House, located at ul. Piłsudskiego in Wrocław – the construction was not finished yet, therefore the fair value appraisal of the investment property was estimated on the basis of an appraisal made by a professional valuer as at the date after the completion of the project, less outlays to be still made and the developer's margin (the residual method).
- Wola Retro, located at ul. Skierniewicka in Warsaw – taking into consideration the progress of the project, the value of capital expenditure on the construction of the property has been valued at historical cost.

Land classified as non-current assets

As at 31 December 2017, the land qualified as non-current assets concern the land located in Malin, Wisznia Mała, municipality in the Lower Silesian Voivodeship.

In view of the entry into force on 30 April 2016 of the provisions amending the Act of 11 April 2003 on the shaping of the agricultural system (Journal of Laws of 2012, item 803, of 2016, item 585, 1159) and the introduced restrictions on acquisition of agricultural property, an analysis was made to check the impact of the provisions of this act on the restrictions on the possibility of implementation of investment opportunities on the above-mentioned land.

This amendment introduced restrictions on the acquisition of agricultural property with an area of more than 0.3 ha and not covered by the current spatial development plan in a way that the buyer of the agricultural property may be in principle only an individual farmer - a natural person, while other entities may acquire agricultural property only with the agreement of the President of the Agricultural Property Agency and in the cases provided by regulations. The restrictions imposed by the act apply also to shares and stocks in companies which own agricultural property, where the Agricultural Property Agency which is the owner of the agricultural property has the right of pre-emption of shares and stocks in these companies.

The introduced restrictions have an impact on the shaping of demand and supply on the agricultural land market by changing the profile of market participants and new legal terms of the sale of agricultural property, which results in a smaller number of agricultural real property sold after 30 April 2016.

Since the Group is the owner of land with the total area of 169 ha, located in Malin Wisznia Mała, municipality in the Lower Silesian Voivodeship, and currently there is no spatial development plan for this property, therefore in accordance with Article 2 point 1 of the above-mentioned Act, it is "agricultural property" and is subject to the above restrictions on the possibility of trade in this property.

Due to the acquisition of land by the Group with a view to implement a development investment and the designation in the Study of land use conditions and directions of Wisznia Mała, municipality of this property for residential areas, the

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Group, as at 31 December 2017, disclosed the property in the item Land qualified as non-current assets for development during a period of over 2 years, in the valuation by an independent valuer drawn up before the date of entry into force of the above-mentioned Act, used also as at 31 December 2016, since despite the restrictions introduced by the Act, the Group believes that there is still a possibility to use this land in a manner consistent with its intention and the Group does not intend to dispose of this property.

Furthermore, the Management Board analysed one of the possible options of the development project which is in line with the current Study of land use conditions and directions of Wisznia Mała, so as to verify a possible net selling price using the discounted cash flow method. First and foremost, for this model a 12 per cent discount rate has been assumed, whereas an expected commercialisation period is more than six years. It has been planned that the project will entail the erection of about 800 detached houses or in a row development. The anticipated erection cost (including infrastructure) for this model is PLN 3,180 per 1 sq m, whereas projected revenue is PLN 4,600 per 1 sq m.

A discounted cash flow model, produced as part of the above analysis, indicated that the present value exceeded the value of land slightly. The model, as part of the sensitivity analysis of an assumed discount rate of 11 to 13 per cent, still shows that the present value is higher than the land value.

Classification of Lease Agreements

The Group classifies lease as operational and financial on the basis of the assessment to what extent the risk and profits from ownership of the subject of lease fall to the lessor and to the lessee. This assessment is based on the economic content of each transaction.

Impairment of Assets

As at 31 December 2017, market capitalisation was lower than the net value of the Group's assets. Despite the fact that the Management Board of the Parent Undertaking is strongly convinced that this was only a transitional situation triggered by a variety of factors, *inter alia*, the considerable fluctuation of Company's share prices. The Management Board took certain actions aimed at reviewing the Group's assets to determine whether an additional write-down was required. The Management Board did not find it necessary to recognise any potential additional impairment.

6.2. Uncertainty of Estimates

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

The basic assumptions concerning the future have been discussed below as well as other key reasons for doubts occurring as at the balance sheet date and entailing a significant risk of the considerable adjustment of the book value of assets and liabilities in the following financial year.

Deferred Tax Asset

The Group recognises a deferred tax asset based on the assumption that a tax profit enabling its utilisation should be obtained in the future. Worse tax results obtained in the future could have the effect that this assumption might become groundless. Deferred income tax is presented in Note 13.3.

Fair Value of Investment Property

At the end of each quarter of an accounting year, the Group independently measures the fair value of its investment properties in EUR based on the agreed model of investment capitalisation or maintains the valuation in EUR carried out by an independent valuer at the end of the preceding year (provided there were no significant indications to update the valuation). At the end of each accounting year, the fair value of investment property is established or verified by an independent valuer. As at 31 December 2017, investment property is measured on the basis of valuations of valuers and is described in Note 19.

Fair Value of Financial Instruments in the Form of Forward Contracts

The fair value of financial instruments in the form of forward contracts, measured at fair value through profit or loss, is determined on the last day of each quarter in a given accounting year and at the end of each accounting year on the basis of the valuation made by an institution which professionally measures such financial transactions (among others by the Bank) or on the basis of a financial model.

Fair Value of Financial Instruments of the IRS Type

The fair value of financial instruments of the IRS type, covered by the cash flow hedge accounting, measured at fair value through other comprehensive income, is determined on the last day of each quarter in a given accounting year and at the end of each accounting year on the basis of the valuation made by an institution which professionally measures such financial transactions (among others by the Bank) or on the basis of a financial model.

Write-downs of Inventories

At the end of each reporting period, the Management Board verifies if there is any evidence pointing to the loss of value of its property development projects under implementation on the basis of sales reports, market research and other available evidence. Should the risk of the loss of value occur, the value of such projects is estimated employing the DCF method, which is used to establish the write-down of inventories. The DCF method is based on discounted cash flows generated within the approved investment schedules and proceeds from the sale of premises, allowing for the sale price of 1 square metre of usable floor space in accordance with the current market situation. The discount rate takes account of the weighted average cost of external and own capital (WACC).

The write-downs of inventories are estimated as at 31 December 2017 and may be subject to change depending on the fluctuation of market prices of land, selling prices of flats, construction costs, project completion schedules and discount rate calculations in the future. The actual results may vary from these estimates, which were calculated on the grounds of the 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 the following financial periods. Inventories and write-down of inventories are presented in Note 20.

Uncertainty Associated with Tax Settlements

The regulations concerning the tax on goods and services, corporate tax and burdens associated with social insurance are subject to frequent changes. These frequent changes make no appropriate reference points, inconsistent interpretations and few established precedents that might be applicable. The binding regulations also contain uncertainties, resulting in different opinions regarding the legal interpretation of tax regulations, both among public authorities and between public authorities and companies.

Tax settlements and other areas of activity (for example customs and foreign currency issues) may be subject to inspection by bodies authorised to impose high penalties and fines, and any additional tax liabilities arising from the inspection must be paid together with high interest. Having considered these conditions, the tax risk in Poland is greater than in countries with a more mature tax system.

Consequently, amounts presented and disclosed in financial statements may change in the future as a result of a final decision of a tax audit authority.

On 15 July 2016, changes were made to the Tax Ordinance Act in order to take account of the provisions of the General Anti-Avoidance Rule (GAAR). GAAR is to prevent the creation and use of artificial legal structures created in order to avoid the payment of tax in Poland. GAAR defines the avoidance of taxation as an action made above all in order to achieve a tax advantage, contrary – under given circumstances – to the object and purpose of the provisions of the tax act. In accordance with GAAR, such an action does not result in the tax advantage, if the operation was artificial. Any occurrence of (i) unjustified separation of operations, (ii) involvement of intermediary entities despite the lack of economic justification, (iii) elements that null or compensate each other and (iv) other actions having a similar effect to the previously mentioned, may be treated as a premise of artificial operations subject to GAAR. New regulations will require a much greater degree of professional judgement in assessing the tax consequences of individual transactions.

The GAAR clause should be applied to transactions made after its entry into force and transactions that had been carried out before the entry into force of the GAAR clause, but for which benefits were or are still being gained after the date of entry of this clause into force. The implementation of these provisions will enable Polish tax audit authorities to question the legal arrangements and agreements carried out by taxable persons, such as the restructuring and reorganisation of a group, provided, however, that such arrangements and agreements are related to the above clause.

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The Group recognises and measures the assets or liabilities in respect of current and deferred income tax in compliance with the requirements of IAS 12, Income Tax on the basis of the tax profit (loss), tax base, unrelieved tax losses, unused tax exemptions and tax rates, taking into account the uncertainty associated with tax settlements.

The table below presents balance sheet figures of the above items as at 31 December 2017 and as at 31 December 2016.

	31 December 2017 (audited)	31 December 2016 (audited)
Deferred tax asset	9,596	10,972
Fair value of investment property	1,741,586	1,736,978
Fair value of financial instruments in the form of forward contracts	223	(262)
Fair value of financial instruments of the IRS type	(5,133)	(9,050)
Deferred tax liability	(108,160)	(113,652)
Write-down of land qualified as non-current asset	(3,263)	(3,263)
Write-down of inventory	(132,529)	(135,807)

7. Basis for Preparation of Consolidated Financial Statements

These consolidated financial statements were prepared using the historical cost method, except for investment properties and derivative instruments, which are measured at fair value.

The consolidated financial statements are presented in thousand zlotys ("PLN"), and all values in tables and notes, if not indicated otherwise, are given in thousand zlotys ("PLN").

The consolidated financial statements were prepared on the assumption that the Group companies would continue as a going concern in the foreseeable future. As at the day of approval of these consolidated financial statements, no circumstances were identified implying any threats to the continuation of the Group companies' business activity.

7.1. Declaration of Compliance

These consolidated financial statements of LC Corp Group were drawn up in accordance with the International Financial Reporting Standards ("IFRS") in the form approved by the EU.

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

Financial statements for some subsidiaries are drawn up in accordance with the provisions of the Accounting Act of 29 September 1994 (consolidated text in Journal of Laws of 19 July 2016, item 1047 - hereinafter "AA"). For the purposes of drawing up the consolidated financial statements, these statements are compliant with IFRS and adjusted to the principles applied by the Group.

7.2. Currency of Measurement and Currency of Financial Statements

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

8. Amendments to Applied Accounting Rules

The accounting principles (policies) applied to the preparation of these consolidated financial statements are consistent with those adopted to draw up the Group's consolidated financial statements for the year ended 31 December 2016, save for the following principles. The below amendments to IFRS have been applied hereto as of the date of their entry into force, nevertheless, they had no significant impact on the financial information presented and disclosed herein, nor were they applicable to transactions conducted by the Group:

- Amendments to IAS 12, *Recognition of Deferred Tax Assets for Unrealised Losses*.
These amendments clarify the issues relating to negative temporary differences in the case of debt instruments measured at fair value, the estimation of possible future taxable profit and verification whether taxable profits will

be available against which the deductible temporary differences can be utilised. The amendments have a retroactive effect.

- Amendments to IAS 7, *Disclosure Initiative*
According to these amendments, an entity has to disclose information which will enable users of financial statements to evaluate changes in liabilities arising from financial operations. It is not required to present comparative information for the previous periods.
- Amendments to IFRS 12, *Disclosure of Interests in Other Entities*, which are a part of *Amendments resulting from the review of IFRS 2014-2016*
The amendments clarify that requirements set out in the standard apply also to entity's interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and unconsolidated structured entities that are classified (or included in a disposal group that is classified) as held for sale or discontinued operations in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

The Group did not decide to choose the option of early application of any standard, interpretation or amendment which was published but has not yet become effective in line with the regulations of the European Union.

9. New Standards and Interpretations Published But Not Effective Yet

The following standards and interpretations have been issued by the International Accounting Standard Board or the International Financial Reporting Interpretations Committee but are not yet in force:

- IFRS 9, *Financial Instruments* (published on 24 July 2014) – applicable to annual periods beginning on or after 1 January 2018;
- IFRS 14, *Regulatory Deferral Accounts* (published on 30 January 2014), applicable to annual periods beginning on or after 1 January 2016 – pursuant to the decision of the European Commission, the process of approving the standard in the preliminary version will not be initiated until the final version of the standard is published – by the date of approval of these financial statements not approved by the EU;
- IFRS 15, *Revenue from Contracts with Customers* (published on 28 May 2014), applicable to annual periods beginning on or after 1 January 2018 – comprising the amendments to IFRS 15, *Date of entry into force of IFRS 15* (published on 11 September 2015);
- Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (published on 11 September 2014) – works leading to the approval of these amendments have been postponed by the EU indefinitely - the date of entry into force has been postponed by the IASB indefinitely;
- IFRS 16, *Leases* (published on 13 January 2016) – applicable to annual periods beginning on or after 1 January 2019;
- Amendments to IFRS 4, *Application of IFRS 9, Financial Instruments with IFRS 4, Insurance Contracts* (published on 12 September 2016), applicable to annual periods beginning on or after 1 January 2018;
- Clarifications to IFRS 15, *Revenue from Contracts with Customers* (published on 12 April 2016) – applicable to annual periods beginning on or after 1 January 2018;
- Amendments to IFRS 2, *Classification and Measurement of Share-based Payment Transactions* (published on 20 June 2016) – applicable to annual periods beginning on or after 1 January 2018;
- Amendments to IAS 28, *Investments in Associates and Joint Ventures*, which are a part of *Amendments resulting from the review of IFRS 2014-2016* (published on 8 December 2016) – applicable to annual periods beginning on or after 1 January 2018;
- Amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which are a part of *Amendments resulting from the review of IFRS 2014-2016* (published on 8 December 2016) – applicable to annual periods beginning on or after 1 January 2018;
- IFRIC 22, *Foreign Currency Transactions and Advance Consideration* (published on 8 December 2016) – applicable to annual periods beginning on or after 1 January 2018 – by the date of approval of these financial statements not approved by the EU;
- Amendments to IAS 40: *Transfers of Investment Property* (published on 8 December 2016), applicable to annual periods beginning on or after 1 January 2018;
- IFRS 17, *Insurance Contracts* (published on 18 May 2017), applicable to annual periods beginning on or after 1 January 2021 – by the date of approval of these financial statements not approved by the EU;

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- IFRIC 23, *Uncertainty over Income Tax Treatments* (published on 7 June 2017), applicable to annual periods beginning on or after 1 January 2019 – by the date of approval of these financial statements not approved by the EU;
- Amendments to IFRS 9, *Prepayment Features with Negative Compensation* (published on 12 October 2017), applicable to annual periods beginning on or after 1 January 2019 – by the date of approval of these financial statements not approved by the EU;
- Amendments to IAS 28, *Long-term Interests in Associates and Joint Ventures* (published on 12 October 2017), applicable to annual periods beginning on or after 1 January 2019 – by the date of approval of these financial statements not approved by the EU;
- *Amendments arising from the review of IFRS 2015-2017* (published on 12 December 2017) – applicable to annual periods beginning on or after 1 January 2019 – by the date of approval of these financial statements not approved by the EU;
- Amendments to IAS 19, *Plan Amendment, Curtailment or Settlement* (published on 7 February 2018), applicable to annual periods beginning on or after 1 January 2019 – by the date of approval of these financial statements not approved by the EU.

Dates of entry into force are consistent with dates set out in standards published by the International Financial Reporting Board. Dates of standard implementation in the European Union may vary from implementation dates set out in standards and are published upon approval for implementation by the European Union.

In the period covered by the financial statements the Group did not decide to choose the option of early application of any standard, interpretation or amendment which was published but has not yet entered into force.

As regards amendments relating to IFRS 15, *Revenue from Contracts with Customers*, the Management Board analysed the impact of the above standard on the financial situation, performance of the Group and the scope of information presented in the financial statements. The aforementioned analysis refers mainly to the time when revenue from product sales is recognised (particularly residential, retail units or parking places and lease proceeds). Based on the analyses conducted, the Management Board does not expect any significant changes with respect to the time of revenue recognition. The Group is currently analysing contracts to determine whether they include an essential financing element.

With regard to amendments to IFRS 9, *Financial Instruments*, the Management Board is of the opinion that they will have an effect on the measurement of receivables, cash and cash equivalents, as well as on non-current financial assets. On the basis of analyses conducted, the Management Board does not expect that these amendments will have any powerful effect on the financial situation, performance of the Group and the scope of information presented in the financial statements.

The Group is in the process of verification of the impact of the remaining aforementioned standards on the financial situation, performance of the Group and the scope of information presented in the financial statements.

10. Significant Accounting Principles

10.1. Consolidation Rules

The consolidated financial statements are composed of financial statements of LC Corp S.A. and the financial statements of its all subsidiary undertakings prepared for the year ended 31 December 2017 and contain comparative information for the year ended 31 December 2016 and as at 31 December 2016.

The financial statements of the subsidiary undertakings are prepared for the same reporting period as the financial statements of the Parent Undertaking or for the period from their set-up (if they were set up in 2017) to 31 December 2017, by adopting coherent accounting principles based on uniform accounting principles applied to transactions and economic events of a similar nature.

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

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

The subsidiary undertakings are subject to consolidation in the period from the day of taking control over them by the Group and cease to be consolidated from the day the control stops. The exercise of control by the Parent Undertaking

takes place when it holds directly or indirectly, through its subsidiary undertakings, more than half the vote in a given entity, unless it can be proved that this shareholding is not tantamount to the exercise of control. The exercise of control also takes place when the Company is able to influence the financial and operating policy of a given entity.

Changes in ownership interests of the parent undertaking that do not result in a loss of control over a subsidiary are recognised as equity transactions. In such cases in order to reflect changes in relative shares in a subsidiary, the Group makes adjustments to the carrying amount of controlling interests and non-controlling interests. Any differences between the amount of the adjustment of the controlling interests and the fair value of the amount paid or received are recognised in equity and assigned to the owners of the parent undertaking.

10.2. Business Combinations of Entities Under Common Control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are, directly or indirectly, controlled by the same entity or a group of entities both before and after the business combination, and such common control is not transitory.

IFRS 3, Business Combinations does not apply to a business combination of entities or businesses under common control. In such a situation, according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, in the absence of a standard or interpretation that specifically applies to a transaction, the management may, using its professional judgement, develop accounting principles (policies), taking account of, for example, the most current regulations and application guidelines, drawn up by other entities making standards based on the assumptions of conceptual frameworks similar to IFRS. The accounting policy developed by the entity's management must not be inconsistent with any of the standards or interpretations under IFRS or the assumptions of the conceptual framework for these standards.

Based on the above principles, as the accounting policy used to account for business combinations under common control the Group adopted the pooling of interests method. The pooling of interests method consists in adding together particular items of relevant assets, liabilities, equity, revenues and costs of the companies to be combined, as at the date of their merger, having adjusted them using uniform valuation methods and after the following eliminations:

- mutual receivables and liabilities and other settlements of a similar nature of the merging entities,
- revenues and costs of business transactions made in a given accounting year before the combination of the merging entities,
- profit or loss on business transactions made before the combination of the merging entities, included in the values of assets, liabilities and equity to be combined,
- share capital of the acquired entity and non-controlling interests; after this elimination has been made the difference between the other capital and the acquisition price of the entity is recognised in the other capital.

Business combinations based on the pooling of interests method do not lead to the identification and recognition of any goodwill or negative goodwill or to the identification and recognition of any additional assets and liabilities, except for those resulting from the above book values.

10.3. Fair value measurement

The Group measures financial instruments such as instruments available for sale and derivative instruments as well as non-financial assets such as investment properties at fair value at each balance sheet date.

Fair value is defined as the price that would be received after selling an asset or paid to transfer a liability in a transaction carried out under the usual conditions of asset disposal between market participants at the measurement date in the current market conditions. A fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs:

- on the main market for the asset or liability,
- in the absence of the main market, on the most advantageous market for such asset or liability.

Both the main market and the most advantageous market must be available to the Group.

The fair value of an asset or liability is measured on the assumption that during the determination of the price of such asset or liability market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the ability of a market participant to generate economic benefits through the greatest and best use of such an asset or its disposal to another market participant that would provide the greatest and best use of the asset.

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The Group uses valuation techniques that are appropriate to the circumstances and for which sufficient data is available to measure fair value, with the maximum use of the relevant observable inputs and minimal use of unobservable inputs.

All assets and liabilities that are measured at fair value or whose fair value is disclosed in the financial statements are classified in the fair value hierarchy as described below, based on the lowest level input that is significant for the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities,
- Level 2 - Valuation techniques for which the lowest level of input that is significant for the fair value measurement as a whole is directly or indirectly observable,
- Level 3 - Valuation techniques for which the lowest level of input that is significant for the fair value measurement as a whole is unobservable.

10.4. Tangible Assets

Tangible assets include:

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

complete and in a 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 tangible assets includes their acquisition price increased by all costs directly related to their acquisition and adaptation to a proper operating condition. The cost also includes the cost of replacing components of machinery and equipment at the time it is incurred, if the criteria of recognition are fulfilled. Costs incurred after the date of handing over a tangible asset for use, such as costs of maintenance and repair, are charged to the statement of comprehensive income at the time they are incurred.

At the moment of their acquisition, tangible assets are divided into components of significant value, to which a separate period of useful economic life can be assigned. The costs of major overhauls also represent 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)
Machinery and technical equipment	5 years
Office equipment	2 years
Other means of transport	5 years
Investments in third-party tangible assets	10 years (or the term of contract, if shorter)
Computers	3 years

If during the preparation of the financial statements the circumstances occurred indicating the possible impairment of any tangible assets, such assets are reviewed for possible impairment. If there is any objective evidence of impairment and the balance-sheet value exceeds the assessed recoverable value, the value of these assets or cash-generating centres to which they belong 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 gross discount rate, which reflects the current market assessment of the time value of money and the 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 charges are recognised in profit or loss.

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 resulting from the further use of such item are expected. All profits or losses resulting from the removal of a given asset from the statement of financial position (calculated as the difference between potential net proceeds from sales and the balance-sheet value of a given item) are disclosed in profit or loss in the period during which such removal was effected.

The final value, period of usage and method of depreciation of assets are verified and, if necessary, adjusted, at the end of each accounting 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.

10.5. Tangible Assets Under Construction

Tangible assets under construction concern tangible assets being built or assembled and are disclosed according to the acquisition or production cost. Tangible assets under construction are not subject to depreciation by the time they are built and handed over for use.

Land and the right of perpetual usufruct to land allotted for the construction of tangible assets are disclosed as tangible assets under construction by the time such assets are handed over for use.

10.6. Investment property

Investment property is defined as land, a building or part of a building, which the company treats as a source of rental income or keeps on account of an increase in its value. The condition for disclosure under this item of the statement of financial position is:

- the probability of obtaining economic benefits on account of possessing the property,
- the possibility of the reliable determination 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 finalising rental agreements). The balance-sheet value of an asset includes the cost of replacing a part of the 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 such 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 from its disposal are expected. All profits or losses resulting from the removal of an investment property from the statement of financial position are disclosed in the statement of comprehensive income 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 entering into an operating lease contract. However, if an asset used by the owner becomes investment property, the Group 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 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 Group completes the construction or production of 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 the transfer of investment property to assets used by the owner or to inventories, the supposed cost of such 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 investment capitalisation.

10.7. Investment Property Under Construction

Property under construction intended to be used as investment property in the future is disclosed as investment property.

For investment properties the Group uses a fair value measurement model, hence investment properties under construction are also measured at fair value.

However, in the case when the fair value of investment property under construction cannot be reliably assessed on a continuous basis, such investment property under construction is measured using the historical cost model, until one of two dates, whichever is earlier: the date of completing the building process or the time when the fair value can be reliably assessed.

Apart from acquisition or production costs, the costs of investment property under construction include the commission for agents on account of effecting contracts on office space rental.

10.8. Goodwill

Goodwill arising on the acquisition of a business entity is recognized initially at the purchase price representing the excess of

- the sum of:
 - the payment made,
 - the amount of any non-controlling interests in the acquired entity, and
 - in the case of a business combination carried out in stages, the fair value at the date of acquisition of the share in the acquired entity's capital, previously held by the acquiring entity.
- over the net amount, established as at the date of acquisition of the value of identifiable acquired assets and assumed liabilities.

After its initial recognition, goodwill is stated at cost less accumulated impairment charges. Goodwill is tested for impairment annually or more frequently if there are any reasons for it. Goodwill is not subject to amortisation.

As at the day of assuming control, the acquired goodwill is allocated to every cash-generating unit which may benefit from synergies resulting from the merger. Each unit or group of units to which goodwill was allocated:

- corresponds to the lowest level in the Group at which goodwill is monitored for internal management purposes, and
- is not larger than one operating segment determined in accordance with IFRS 8, Operating Segments.

Impairment is determined by estimating the recoverable value of the cash-generating unit to which a given part of goodwill was allocated. If the recoverable value of the cash-generating unit is lower than its balance-sheet value, impairment charges are recognised. If goodwill represents a part of the cash-generating unit and a part of the business of the cash-generating unit is disposed of, for the purpose of calculating gains or losses on disposal of the part of business, the goodwill connected with the sold business is included in its balance-sheet value. Goodwill sold in such circumstances is measured using the relative value of the sold business and the value of the retained part of the cash-generating unit.

10.9. Intangible Assets

Intangible assets are the acquired assets having a 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 recognised at fair value determined at the business combination date. After initial recognition, intangible assets are measured at acquisition or production cost less amortisation and

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impairment charges. Expenditures on intangible assets produced in-house, except for activated expenditures incurred on development work, are not activated and are disclosed in the costs of the period when they were incurred.

The Group determines if the useful life of intangible assets is definite or indefinite. Intangible assets with a definite useful life are amortised over their economic useful life and tested for impairment each time where there are indications thereof. The period and method of amortisation 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 benefits derived from a given asset are disclosed by a change of the period or amortisation method, respectively, and treated as changes of estimates. Amortisation charges of intangible assets with a definite useful life are disclosed 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. Other intangible assets are checked annually for any indications of impairment. Periods of use are also annually verified and, if necessary, adjusted with effect from the beginning of the financial year.

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As at 31 December 2017 and as at 31 December 2016 there were no intangible assets of an indefinite period of use. The summary of the principles applied in relation to the Group's intangible assets, except for goodwill, is presented below:

	Patents and licences	Computer software and other
Period of use	Indefinite. For patents and licences used on the basis of an agreement concluded for a definite period, this period is adopted, taking into account an additional period for which the useful life may be extended.	2 years
Applied method of amortisation	Values of an indefinite period of useful life are not amortised or subject to revaluation. For patents and licences concluded for a definite period the	straight-line method is applied
Produced in-house or acquired	Acquired	Acquired
Tested for impairment / verification of recoverable value	An indefinite period of useful life – annually or if there are indications of impairment. For others – annual assessment if there are indications of impairment.	Annual assessment if there are indications of impairment.

As at 31 December 2017 and as at 31 December 2016 there were no patents or licences with an indefinite period of useful life.

Profits or losses resulting from the removal of intangible assets from the statement of financial position are measured on the basis of 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 its derecognition.

10.10. Recoverable Value of Non-current Non-financial Assets

At the end of each reporting period, the Group assesses whether there is any objective evidence that the assets are impaired. If any such evidence exists, the Group assesses the recoverable value of these assets, i.e. determines whether the current book value of a given asset is higher than the value that can be obtained from its further use or sale. If the balance-sheet value of a given asset or a cash-generating unit exceeds its recoverable value, its impairment is recognised and an impairment charge is made to arrive at the established recoverable value. This impairment charge is included in the statement of comprehensive income under "Revaluation of non-current non-financial assets". The recoverable value corresponds to the higher of: fair value less selling costs or the value in use of a given asset or cash generating unit.

The recoverable value is determined for individual assets, unless a given asset does not generate separate cash inflows, largely independent of 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 charges are recognised up to the established recoverable value. While assessing the 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 charges 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 the end of each reporting period, the Group assesses whether there is any objective evidence that the impairment charge 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 Group assesses the recoverable value of this asset. The previously disclosed impairment charge is reversed only if since the recognition of the last impairment charge there was a change of estimates 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 amortisation) if the impairment charge was not disclosed at all in relation to this asset in the previous years. The reversal of the impairment charge of an asset is disclosed immediately as income. In the following periods, after the reversal of the impairment charge, the depreciation charge 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 write off systematically its verified balance-sheet value less the end value.

10.11. Inventories

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

Initially, inventories are disclosed at their production cost. After the initial disclosure, inventories are measured at the lower of: acquisition/production cost and net realisable value.

10.12. Trade and Other Receivables

Trade and other receivables are recognised and disclosed at amounts initially invoiced, taking account of bad debt. Bad debt is estimated when the collection of the full amount of receivables is no longer probable. Bad debt is written off in the statement of comprehensive income when its uncollectibility is found out.

If the effect of the 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 gross discount rate reflecting the current market assessments of the time value of money. If the discount method is applied, an increase in receivables over time is recognised as financial income.

10.13. 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 with the initial maturity of up to three months.

The balance of cash and cash equivalents disclosed in the consolidated statement of cash flows consists of the above-defined monetary assets and their equivalents.

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.

10.14. Financial Assets

Financial assets are classified as falling into the following categories:

- Financial assets held to maturity,
- Financial assets measured at fair value through profit or loss,
- Borrowings granted 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 Group has the positive intention and ability to hold to maturity, other than:

- those designated upon initial recognition as measured at fair value through profit or loss,
- those designated as available for sale,
- those that meet the definition of borrowings and receivables.

Held-to-maturity financial assets are measured at amortised cost calculated using the effective interest rate method. Held-to-maturity financial assets are classified as non-current assets if their maturity exceeds 12 months from the end of the reporting period.

Financial assets acquired in order to gain on short-term price changes are classified as financial assets measured at fair value through profit or loss. Derivatives are also classified as held for trading unless they are treated as effective hedge instruments or financial guarantee agreements. Financial assets measured at fair value through profit or loss are measured at fair value, taking into account their market value as at the end of the reporting period and excluding sales transaction costs. Changes in the value of these financial instruments are recognised in the statement of comprehensive income as financial income or financial expenses. Financial assets measured at fair value through

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profit or loss are presented in current assets. If the contract contains one or more embedded derivatives, the whole contract can be classified as falling into the category of financial assets measured at fair value through profit or loss. It does not apply to the cases where an embedded derivative does not have any significant impact on cash flows from the contract or the separation of an embedded derivative is expressly prohibited. At their initial recognition, financial assets can be classified as falling into the category of assets measured at fair value through profit or loss if the following criteria are met:

- such classification eliminates or significantly reduces the lack of integrity in treatment when both valuation and rules of recognition of profit or loss are subject to different regulations, or
- assets form a part of the group of financial assets that are managed and measured at fair value in accordance with the documented strategy for risk management, or
- financial assets include embedded derivatives which should be recognised separately.

As at 31 December 2017 and as at 31 December 2016 no financial assets were classified as falling into the category of assets measured at fair value through profit or loss.

Borrowings granted and receivables include non-derivative financial assets with set or foreseeable payments, not listed on any active market. They are included in current assets if their maturity does not exceed 12 months from the end of the reporting period. Borrowings granted and receivables with maturity exceeding 12 months from the end of the reporting period are presented in non-current assets.

All the remaining financial assets are financial assets available for sale. Financial assets available for sale are recognised at fair value, without any transaction costs being deducted, taking into account the market value as at the end of the reporting period. In the case there are no quotations on the active market and there is no possibility of measuring their fair value reliably by applying alternative methods, financial assets available for sale are valued at acquisition cost adjusted for impairment charges. A positive and negative difference between the fair value of assets available for sale (if there is any price established on the active market or where the fair value of such assets can be otherwise reliably measured) and their acquisition cost, reduced by deferred tax, is recognised in revaluation reserves. Impairment losses on assets available for sale are recognised in the statement of comprehensive income as financial expenses.

The purchase and sale of financial assets are initially recognised as at the date of the transaction. At its initial recognition a financial asset is measured at fair value, increased, in the case of the financial asset not classified as measured at fair value through profit or loss, by transaction costs that can be allocated directly to its acquisition.

A financial asset is derecognised from the statement of financial position when the Group loses control over contractual rights forming the given financial instrument. Typically, this happens when the instrument is sold or all cash flows related to this instrument are transferred to an independent third party.

10.15. Lease

Financial lease agreements which transfer to the Group substantially all risks and benefits of ownership of the leased asset are recognised in the balance sheet as at the commencement of the lease at the lower of the following two values: fair value of fixed asset which is the subject of the lease or the present value of the minimum lease fees. Lease fees are apportioned between the finance charge and the reduction of the balance of liabilities due to lease, so as to achieve a constant rate of interest on the outstanding commitments. Financial costs are recognised in profit or loss, unless capitalisation requirements are met.

Fixed assets used under financial lease agreements are depreciated over the shorter of the two periods: the estimated useful life of fixed asset or the lease term.

Lease agreements under which the lessor retains substantially all the risks and benefits related to the ownership of the leased asset are classified as operating leases. Lease fees under operating lease and later lease payments are recognised as operating expenses in profit or loss on a straight line basis over the period of the lease.

10.16. Impairment of Financial Assets

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

Financial Assets Carried at Amortised Cost

If there is objective evidence that a loss has occurred due to the impairment of granted borrowings and receivables carried at amortised cost, an impairment charge is equal to the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future losses on account of bad debt that have not been incurred yet), discounted using the original (i.e. determined at initial recognition) effective interest rate. The balance sheet value of the asset is reduced directly through the calculation of impairment charges. The amount of the loss is recognised in profit or loss.

First, the Group verifies if there is any objective evidence pointing to an 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 that there is no objective evidence of impairment of the individually examined financial asset, irrespective of whether it is significant or not, the Group adds this asset to the group of financial assets characterised by a similar credit risk and assesses them jointly for impairment. Assets that are individually verified for impairment and for which an impairment charge was disclosed or it was considered that the current charge should not be changed are excluded from the joint assessment of the group of assets for impairment.

If in the following period the impairment charge decreases and the decrease can be objectively related to an event occurring after the recognition of such charge, the previously recognised impairment charge is reversed. Any further reversal of the impairment charge is disclosed in profit or loss to the extent to which the balance-sheet value of the asset at the reversal date does not exceed its amortised 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 disclosed at fair value because its fair value cannot be reliably measured or on a related derivative that has to be settled through the delivery of such unquoted equity instrument, the impairment charge is determined 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 similar financial assets.

Financial Assets Available for Sale

If there is objective evidence that the financial asset available for sale is impaired, the difference between the acquisition price of the asset (less any principal repayments and amortisation) and its current fair value, less any impairment charges on that asset previously recognised in profit or loss, is derecognised from equity and reclassified into profit or loss. Reversals of impairment charges on equity instruments classified as available for sale cannot be recognised in profit or loss. If in the following period, the fair value of a debt instrument available for sale increases and such increase can be objectively related to an event occurring after the impairment charge has been recognised in profit or loss, the amount of the reversal is recognised in profit or loss.

10.17. Embedded Derivatives

Embedded derivatives are separated from 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 contract;
- a separate instrument with the same realisation terms as the embedded derivative would meet the definition of a derivative;
- a hybrid (combined) instrument is not accounted for at fair value and changes in its fair value are not recognised in the statement of comprehensive income.

Embedded derivatives are accounted for in a similar way as independent 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 to economic features and risk characteristic of the host (main) contract, also includes situations when the currency of the host contract is commonly used in contracts to purchase or sell non-financial items on the market where a given transaction takes place.

As at 31 December 2017 and as at 31 December 2016 there were no embedded derivatives.

10.18. Hedging Instruments

Derivatives used to hedge against the 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.

The fair value of FX forwards is established by reference to the current forward rates of contracts with similar maturity. The fair value of interest rate swaps is established by reference to the market value of similar instruments.

Hedge accounting distinguishes between hedging instruments such as:

- fair value hedges, protecting against the risk of changes in the fair value of a recognised asset or liability, or
- cash flow hedges, protecting against the changes in cash flows attributable to a specific risk connected with a recognised asset, liability or forecast transaction, or
- a net investment hedge of a foreign operation.

In the case of fair value hedges which meet the conditions for the application of special hedge accounting, the gain or loss on revaluation of the fair value hedging instrument is recognised immediately as profit or loss. Any gains or losses on the hedged item, attributable to the hedged risk against which an entity desires to be protected, adjust the balance-sheet value of the hedged item and are also recognised as profit or loss. If an adjustment is made to the balance-sheet value of a hedged interest-bearing financial instrument, such adjustment is charged to the net financial result in such a manner that it may be fully amortised before the instrument's maturity date.

In the case of cash flow hedges which meet the conditions for the application of special hedge accounting, the portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income, while the portion determined to be an ineffective hedge is recognised directly in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income and accumulated in equity are transferred to the statement of profit and loss in the same period or periods during which the acquired asset or assumed liability affects profit or loss.

If the 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, gains or losses which were recognised in other comprehensive income, are reclassified from equity into profit or loss in the same period or periods during which the acquired non-financial asset or assumed non-financial liability 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 recognised in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the value of gains or losses recorded previously in other comprehensive income is reclassified from equity to profit or loss as an adjustment resulting from reclassification.

Gains or losses arising from a change in the fair value of derivatives which do not meet the conditions for the application of special hedge accounting, are recognised directly in the net financial result for the current period.

The Group ceases to apply the principles of hedge accounting when the hedging instrument expires or is sold, the instrument's use is approaching an end or the instrument is exercised, or when the hedge no longer meets the criteria for special hedge accounting. In such a case the total gain or loss on the hedging instrument, disclosed in other comprehensive income and accumulated in equity, continues to be recognised in equity until the forecast transaction takes place. If the Group no longer expects a forecast transaction to take place, the total net gain or loss recognised in equity is posted to the net financial result for the current period.

In the year ended 31 December 2013 the Group introduced cash flow hedge accounting and continued it in subsequent years.

10.19. Financial Liabilities

Trade payables are valued at the amounts initially invoiced.

Financial liabilities classified as falling into the group measured at fair value through profit or loss are measured at fair value and other financial liabilities are measured at amortised cost using the effective interest rate method.

Interest-bearing Loans, Borrowings and Debt Securities

All bank loans, borrowings and debt securities are initially recognised at fair value, net of acquisition costs associated with the loan or borrowing.

After their initial recognition, all interest-bearing loans, borrowings and debt securities are subsequently measured at amortised 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 measured at fair value through profit or loss.

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

Gains and losses are recognised in the statement of comprehensive income at the moment of liability removal from the statement of financial position as well as during the relevant periods of the instrument's life cycle, using the effective interest rate method.

10.20. Provisions

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

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

Provisions are charged to operating expenses, 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 gross discount rate which reflects the current market estimates of the time value of money and the risk related to the specified liability. If the discount method is applied, the increase in the provision over time will be recognised as financial expenses.

The provision is decreased by the occurrence of a 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 reversed and credited to the accounts against which they were previously charged.

10.21. Retirement Benefits

Under the Group's remuneration plans, its employees are entitled to retirement benefits. The retirement benefits are paid once at retirement. The amount of retirement benefits depends on the number of years of service and an employee's average remuneration. The Group creates a provision for future retirement benefits in order to allocate costs to relevant periods. In accordance with IAS 19, retirement benefits are classified as post-employment benefit plans. The 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 recognised in the statement of other comprehensive income.

The re-measurement of liabilities on account of employee benefits relating to defined benefit plans, including actuarial gains and losses, is recognised in other comprehensive income and is not further reclassified to profit or loss.

10.22. Share-based Remuneration

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

Transactions Settled in Equity Instruments

The cost of such equity transactions with employees is measured at fair value at the date when such rights are granted.

The cost of transactions settled in equity instruments is recognised together with an associated increase in equity in the period in which the conditions regarding effectiveness/results were met and which ends on the day in which specified employees become fully entitled to such benefits ("entitlement date"). The cumulative cost recognised on account of transactions settled in equity instruments at the end of each reporting period up to the entitlement date reflects the elapsed portion of the period in which the entitlement is gained and the number of awards, the eligibility for which – in

the opinion of the Management Board of the Parent Undertaking as of that date, based on the possibly best estimates of the number of equity instruments – will be finally acquired.

No costs are recognised on account of awards the eligibility for which is finally not acquired, except for the awards in the case of which the eligibility depends on the market conditions. The eligibility for such awards is treated as acquired regardless of whether the market conditions are fulfilled or not, provided that all other non-market conditions and employment conditions are met.

In the case the conditions for granting awards settled in equity instruments are modified, costs are recognised, in order to meet the minimum requirements, as if there were no modifications to the conditions. Furthermore, costs are recognised on account of each increase in the transaction value resulting from modifications, measured as at the day of change.

If an award settled in equity instruments is cancelled, it is handled as if the eligibility for it was acquired on the day of cancellation and all costs on account of the award which were not recognised yet are recognised immediately. However, if a cancelled award is replaced by a new award, defined as a substitute award on the day it is granted, the cancelled award and the new award are treated as if they represented the modification of the original award, i.e. as described in the paragraph above.

The dilutive effect of the issued options is taken into account when earnings per share are determined, as an additional share dilution.

No programme involving transactions settled in equity instruments was launched at any company belonging to the Group on or before the last day of the reporting period.

10.23. Own Shares

Own (treasury) shares are measured according to their acquisition cost.

10.24. Equity

Equity consists of:

- share capital
- reserve funds
- other capital reserves
- retained earnings
- other capital

Equity is measured at its par value compliant with the articles of association. Reserve funds are measured as the excess of the issue price over the par value of the shares, reduced by the costs associated with the share issue and increased/decreased by approved profits/losses in the previous years, including the consolidation adjustments of such profits/losses.

Other capital reserves are measured at the amount of revaluation to fair value of the purchase of a significant asset, less deferred tax. Other capital is measured at fair value of granted management options.

10.25. Valuation of Assets and Liabilities Expressed in Foreign Currencies

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

During the financial year:

- operations of sale and purchase of foreign currencies and operations of payment of receivables or payables are measured at the buy or sale rate of the bank providing services to the undertaking,
- other operations are valued at the mid-exchange rate quoted for the given currency by the National Bank of Poland, effective 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 foreign exchange gains and losses resulting from translation are recognised in financial income (expenses), respectively, or, in cases determined by the accounting principles (policy), capitalised in the value of assets. Non-cash assets and liabilities are recognised at their historical cost in foreign currency and disclosed at the historical exchange

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rate effective as at the transaction date. 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 2017	31 December 2016
EUR	4.1709	4.4240
USD	3.4813	4.1793

10.26. 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 the fulfilment of this liability will cause any outflow of resources containing economic benefits. Therefore, such a liability is not presented in the statement of financial position, but it is described in additional information and explanatory notes to the financial statements.

10.27. Revenues

Revenue is recognised to the extent to which it is probable that the Group will obtain economic benefits related to a given transaction and when the amount of revenue can be reliably measured. Revenue is recognised net of VAT and rebates. When recognising revenues the below presented criteria also apply.

10.27.1.1 Revenues

Revenue is recognised when significant risks and benefits related to the ownership of goods and products have passed to the buyer and the amount of revenue can be assessed in a reliable way. Revenue from the realisation of instruments hedging cash flows adjusts the value of revenue from sales of goods and products.

Revenue from Sales of Flats

Revenue from the sale of residential and retail premises is disclosed only when basically all risks and benefits connected with the given premises are transferred to the customer and revenue can be reasonably valued.

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

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;
- (iv) signing of the developer agreement or notarial deed transferring the title.

In the case of the financing of part of the price by the state in accordance with the Act of 27 September 2013 on state aid in the purchase of the first flat by young people (MDM), the conditions set out in item (ii) are also met when a bank financing the client confirms the reservation of funds (the last instalment of the payment) for this purpose with the applicable provision in the developer agreement.

Costs associated with premises which have already been sold, and which will be incurred in the periods following the recognition 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 the given premises took place.

10.27.1.2 Sale of Services

Revenue from Rental

Revenue from the rental of investment properties is disclosed using the straight-line method for the period of rental in relation to contracts executed.

10.27.1.3 Interest

Revenue is recognised gradually as interest accrues (taking into account the effective interest rate method, which discounts future cash inflows over the estimated period of use of financial instruments) in relation to the net book value of a given financial asset.

10.27.1.4 Dividends

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

10.28. Current Tax

Current tax payables and receivables for the current period and previous periods are measured at the amounts of forecasted payments to tax authorities (amounts recoverable from tax authorities), applying tax rates and tax regulations which were legally or actually effective as at the end of the reporting period.

10.29. Deferred Tax

For the needs of financial reporting, a deferred tax liability is created with the use of the balance-sheet liability method in relation to all temporary 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 recognised with regard to all positive temporary differences:

- except for the cases where a deferred tax liability arises on account of the initial recognition of goodwill or the initial recognition of an asset or liability in the transaction that does not represent a business combination and does not have any impact on pre-tax profit or loss, taxable income or tax loss at the time of effecting it, and
- in the case of positive temporary differences resulting from investment in subsidiaries, associates and shares in joint ventures – except where the timing of the reversal of temporary differences can be controlled by the investor and where it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all negative temporary differences as well as unused tax relief and unused tax losses carried forward, to the extent to which it is probable that taxable income will be available, against which the above differences, relief and losses can be utilised:

- except for the cases where deferred tax assets related to negative temporary differences arise on account of the initial recognition of an asset or liability in the transaction that does not represent a business combination and does not have any impact on pre-tax profit or loss, taxable income or tax loss at the time of effecting it, and
- in the case of negative temporary differences resulting from investment in subsidiaries, associates and shares in joint ventures, a deferred tax asset is recognised in the statement of financial position only to the extent to which it is probable that the above temporary differences will reverse in the foreseeable future and a taxable income will be available from which negative temporary differences can be deducted.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced by the amount for which it is no longer probable that a taxable income will be available, sufficient for a partial or complete utilisation of a deferred tax asset.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply in the period when the asset is realised or the liability is reversed, based on the tax rates (and tax laws) effective at the end of the reporting period or the ones whose enforcement in the future is certain as at the end of the reporting period.

Income tax relating to items recognised outside profit or loss is recognised outside profit or loss: in other comprehensive income relating to items recognised in other comprehensive income or directly in equity relating to items recognised directly in equity.

The Group offsets deferred tax assets with deferred tax liabilities if, and only if it possesses an enforceable legal right to set off current tax receivables against payables and when deferred income tax relates to the same taxpayer and the same tax authority.

If in the opinion of the Group, it is likely that the approach of the Group to the tax issue or a group of tax issues is accepted by the tax authority, the Group determines the taxable profit (tax loss), tax base, unused tax losses and unused tax credits and tax rates taking into account the approach to taxation the planned or used in its tax return.

If the Group determines that it is unlikely that the tax authority accepts the approach of the Group to the tax issue or a group of tax issues, then the Group reflects the impact of uncertainty in determining the taxable profit (tax loss), unused tax losses and unused tax credits or tax rates. The Group reflects this effect by determining the most likely scenario.

10.30. Value Added Tax

Revenue, expenses, assets and liabilities are recognised net of value added tax, except:

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

The net amount of value added tax recoverable from or payable to the tax authorities is disclosed in the statement of financial position as part of receivables or liabilities.

10.31. Borrowing Costs

Borrowing costs allocated to the financing of the construction or production of tangible assets or investment properties and the construction of flats presented as inventories – work in progress are subject to capitalisation. 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 appropriate for the local currency, and gains on foreign exchange differences up to the amount of earlier losses capitalised on account thereof.

10.32. Prepayments

During the reporting period prepayments include, among others:

- costs of rent and lease paid in advance,
- costs of energy paid in advance,
- costs of property insurance,
- costs of charges for the right of perpetual usufruct,
- property tax,
- other financial expenses charged in advance,
- commissions for effecting agreements on sales of flats,
- other costs relating to the following reporting periods (subscriptions, advance payments for fair events, costs of the provision of utility junctions, etc.).

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

10.33. Accrued Expenses

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

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

10.34. Net Profit/(Loss) per Share

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

Diluted profit/(loss) per share is calculated by dividing net profit/(loss) for the period attributable to ordinary shareholders of the Parent Undertaking (after deducting interest on depreciable preferred shares convertible to ordinary shares) by the 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.

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11. Information on Segments of Activity

For management purposes, the Group distinguishes three reporting operating segments:

- rental services segment
- property development activity segment
- holding (other) activity segment

The Group performs the assessment of the results of operating segments on the basis of sales revenue and gross sales result. The results of other operating activity and financial activity are managed at the Group's level and are not allocated to operating segments.

The tables below present the data concerning revenues and profits in the Group's respective business segments for the year ended 31 December 2017 and for the year ended 31 December 2016 and assets and liabilities in the Group's respective business segments for the year ended 31 December 2017 and for the year ended 31 December 2016.

Year ended 31 December 2017 (audited)	Rental activity	Property development activity	Holding (other) activity	Total activity
Total sales revenue	143,510	562,481	196	706,187
Pre-tax profit/(loss) on sales (Segment result)	98,582	162,049	196	260,827
Unallocated revenues				47,808
Unallocated expenses				(206,818)
Pre-tax profit/(loss)				101,817
Income tax (tax burden)				(21,577)
Net profit/(loss)				80,240

Year ended 31 December 2016 (audited)	Rental activity	Property development activity	Holding (other) activity	Total activity
Total sales revenue	144,716	401,852	468	547,036
Pre-tax profit/(loss) on sales (Segment result)	103,108	104,280	468	207,856
Unallocated revenues				69,151
Unallocated expenses				(124,998)
Pre-tax profit/(loss)				152,009
Income tax (tax burden)				(38,885)
Net profit/(loss)				113,124

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As at 31 December 2017 (audited)	Rental activity	Property development activity	Holding (other) activity	Total activity
Assets and liabilities				
Total assets, including:	1,892,607	1,262,791	144,251	3,299,649
Non-current receivables	11,684	-	-	11,684
Current financial assets	223	16,692	-	16,915
Cash and cash equivalents	47,752	163,283	133,213	344,248
Total liabilities, including:	790,407	966,811	94,055	1,851,273
Liabilities on account of loans and bonds	636,845	444,864	-	1,081,709
Liabilities on account of acquisition of subsidiary	-	-	76,637	76,637

As at 31 December 2016 (audited)	Rental activity	Property development activity	Holding (other) activity	Total activity
Assets and liabilities				
Total assets, including:	1,933,080	1,158,755	105,270	3,197,105
Non-current receivables	7,191	-	-	7,191
Current financial assets	-	5,471	-	5,471
Cash and cash equivalents	96,096	158,869	99,886	354,851
Total liabilities, including:	844,972	833,143	122,838	1,800,953
Liabilities on account of loans and bonds	697,340	394,632	-	1,091,972
Liabilities on account of acquisition of subsidiary	-	-	112,970	112,970

12. Revenues and expenses

12.1. Sales revenue

	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
Revenue from the rental of office space and the shopping and service centre and related services	143,453	145,074
Other	-	-
Revenue from sales of services	143,453	145,074
Revenue from the sale of residential and retail premises	551,883	399,565
Other (*)	10,851	2,397
Revenue from sales of goods and products	562,734	401,962
Total	706,187	547,036

(*) – this item includes mainly land sold outside the Group

In 2017, the Group's operating activity related to the rental of commercial property was conducted in the Arkady Wrocławskie retail and office centre, the Sky Tower retail and office centre and Wola Center and Silesia Star (Stage 1 and 2) office buildings.

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

	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
up to 1 year	95,074	96,064
between 1 year and 5 years	283,929	248,955
above 5 years	57,026	32,378
TOTAL	436,029	377,397

Minimum payments relate to investment property lease contracts concluded as at 31 December 2017 and as at 31 December 2016, which are conventionally concluded for periods of 3 to 10 years, without a notice period, with the possibility of extending contracts for subsequent periods.

12.2. Expenses by type

	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
Depreciation and amortisation	1,034	915
Consumption of materials and energy	8,416	8,017
Contracted services	33,766	30,642
Taxes and charges	11,161	9,754
Salaries and wages	31,065	22,880
Social security and other benefits	3,415	2,868
Other costs by type	6,730	7,300
Change in products and work in progress	400,406	297,495
Total	495,993	379,871
Cost of sales	445,360	339,180
Selling and distribution cost	15,513	13,903
General administrative expenses	35,120	26,788
Total	495,993	379,871

12.3. Revaluation of non-financial non-current assets

	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
Revaluation of property fair value (EUR/PLN conversion)	(100,870)	62,564
Revaluation of property fair value (<i>inter alia</i> : due to changes in the EUR valuation of property and finishing works)	(17,856)	(4,606)
Adjustment for linearisation of revenues from lease	(564)	1,614
Total	(119,290)	59,572

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12.4. Depreciation/Amortisation Costs Disclosed in Statement of Comprehensive Income

	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
Items disclosed in the cost of sales:	-	-
Depreciation of tangible assets	-	-
Amortisation of intangible assets	-	-
Items disclosed in selling expenses:	445	416
Depreciation of tangible assets	442	413
Amortisation of intangible assets	3	3
Items disclosed in general administration expenses	589	499
Depreciation of tangible assets	357	394
Amortisation of intangible assets	232	105
Total Amortisation/Depreciation	1,034	915

12.5. Costs of Employee Benefits

Costs of Employee Benefits by Type

	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
Salaries and wages	31,065	22,880
Costs of social security	2,811	2,372
Costs of retirement benefits	-	-
Other post-employment benefits	-	-
Other benefits	604	496
Total costs of employee benefits, including:	34,480	25,748
Items disclosed in the cost of sales:	3,529	3,524
Items disclosed in selling expenses:	6,041	5,173
Items disclosed in general administration expenses	24,910	17,051

Employee Share-based Incentive Schemes

In 2017 and in 2016 the Company did not have any share-based incentive schemes.

Structure of employment

The average employment in the Group in the year ended 31 December 2017 and 31 December 2016 was as follows:

	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
Management Board of Parent Undertaking	5.25	5.30
Management Boards of Group's Entities (*)	0.50	0.00
Administration	105.92	105.07
Sales Department	45.00	45.00
Others	1.00	1.00
Total	158.67	156.37

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

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12.6. Other Operating Income

	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
Net reversal of provisions for remedying construction faults and defects	1	85
Reversal of provisions recognised as accruals	-	2,059
Damages and penalties received	443	1,004
Sale of other services associated with intermediation	787	855
Other	1,692	829
Other operating income	2,923	4,832

12.7. Other Operating Expenses

	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
Net write-offs of receivables	3,664	1,089
Created net provisions for disputes and court proceedings	344	856
Costs of court or enforcement proceedings	243	105
Other	308	370
Other operating expenses	4,559	2,420

12.8. Financial income

	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
Revenue from bank interest	5,530	4,218
Surplus of positive over negative foreign exchange differences	38,709	-
Valuation of financial instruments	483	-
Profit on the sale of shares, stocks	-	223
Other	163	297
Financial income	44,885	4,738

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12.9. Financial Expenses

	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
Interest, commission on bonds and loans	28,150	24,844
Cost of discounting acquisition of subsidiary	4,067	5,329
Surplus of negative over positive foreign exchange differences	-	25,397
Valuation of financial instruments	-	271
Tax expense on share capital increases in subsidiaries	-	240
Other	119	412
Financial Expenses	32,336	56,493

13. Income Tax

13.1. Tax Expense

The main elements of tax expense for the year ended 31 December 2017 and the year ended 31 December 2016 include the following:

	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
Disclosed in profit or loss		
Current income tax		
Current income tax expense	(26,303)	(14,780)
Adjustments of current income tax from previous years	7	(569)
Deferred income tax		
Timing differences and their reversal	4,719	(23,536)
Tax expense shown in the consolidated profit or loss	(21,577)	(38,885)

Consolidated Statement of Changes in Equity

Acquisition of subsidiary	-	-
Tax benefit/(tax expense) disclosed in equity	-	-

Consolidated Statement of Comprehensive Income

Tax on net profit/(loss) on account of changes in the effective portion of cash flow hedges	(603)	148
Tax on unrealised profit/(loss) on financial assets available for sale	-	39
Tax benefit/(tax expense) disclosed in other comprehensive income	(603)	187

13.2. Reconciliation of Effective Tax Rate

The reconciliation of income tax on the gross financial result before tax according to the statutory tax rate, with income tax calculated according to the Group's effective tax rate for the year ended 31 December 2017 and 31 December 2016 is as follows:

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	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
Gross profit /(loss) before tax on continued operations	101,817	152,009
Profit /(loss) before tax on discontinued operations	-	-
Gross profit/(loss) before tax	101,817	152,009
Tax according to the statutory tax rate applicable in Poland: 19% (2016: 19%)	19,345	28,882
Non-tax-deductible costs	873	875
Taxable income other than book income	1,566	-
Undisclosed/adjusted tax losses	(2,541)	3,182
Undisclosed/adjusted temporary differences (other than tax losses) in relation to which no deferred tax was created	1,195	-
Differences in tax value and balance-sheet value of inventories	(110)	3,938
Settlement of discount of share acquisition price and deferred payment interest	1,385	1,820
Other	(136)	188
Tax according to effective tax rate 21.2% (2016: 25.6%)	21,577	38,885

13.3. Deferred Income Tax

Deferred income tax arises from the following items:

	Statement of financial position			Deferred income tax burden for the period ended	
	31 December 2017 (audited)	31 December 2016 (audited)	1 January 2016 (audited)	31 December 2017 (audited)	31 December 2016 (audited)
Deferred tax liability					
Accrued interest and discounts on borrowings, bonds, notes and deposits	(8,437)	(15,223)	(15,839)	6,786	616
Valuation of investment property	(55,871)	(78,568)	(67,556)	22,697	(11,012)
Difference in the value of tangible assets (tax and balance-sheet depreciation)	(52,046)	(42,508)	(35,236)	(9,538)	(7,272)
Difference in the value of other assets (tax value and book value)	(183)	-	(161)	(183)	161
Other	(612)	(537)	(381)	(75)	(156)
Gross deferred tax liability	(117,149)	(136,836)	(119,173)		
Deferred tax assets					
Provisions and prepayments and accrued income	2,860	1,905	1,645	955	260
Accrued interest and discounts on borrowings, bonds and notes	6,190	9,503	8,957	(3,313)	546
Foreign exchange differences	1,540	9,805	5,729	(8,265)	4,076
Difference in the value of other assets (tax value and book value)	-	626	-	(626)	626
Losses potentially deductible from future taxable income	7,059	10,779	22,227	(3,720)	(11,448)
Other	936	1,538	1,284	(602)	254
Gross deferred tax assets	18,585	34,156	39,842		

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Deferred tax expense				4,116	(23,349)
Net deferred tax asset	9,596	10,972	19,890		
Net deferred tax liability	(108,160)	(113,652)	(99,221)		

Considering the specificity of the conducted activity, which involves the achievement of taxable revenue at a deferred time, the Group activates incurred tax losses until taxable income is achieved, taking into account the tax regulations concerning the possibility of settling such losses. The amount of an asset resulting from tax losses disclosed in deferred tax is presented in the table above.

As at 31 December 2017, the Group carried out an analysis of the recoverability of created and potential deferred tax asset and did not create a deferred tax asset on account of, among others, tax losses in companies in the amount of PLN 515,000 (PLN 3,905,000 as at 31 December 2016 respectively), which can be used within the maximum period of up to five years from the end of the reporting period, in which they occurred. In addition, the Group did not create a deferred tax asset in the amount of PLN 11,778,000 with regard to temporary differences between the balance-sheet and tax values of respective assets and liabilities items (PLN 12,335,000 as at 31 December 2016 respectively).

14. Profit/(Loss) per Share

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

Diluted profit/(loss) per share is calculated by dividing net profit/(loss) for the period attributable to ordinary shareholders of the Parent Undertaking (after deducting interest on depreciable preferred shares convertible to ordinary shares) by the 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).

Data on profit and shares used to calculate the basic and diluted profit per share are presented below:

	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
Average weighted number of issued ordinary shares used to calculate basic profit per share	447,558,311	447,558,311
Average weighted number of issued ordinary shares used to calculate diluted profit per share	447,558,311	447,558,311
Net profit/(loss) attributable to:		
Equity holders of the parent	80,240	113,124
Minority interest	-	-
	80,240	113,124
Net profit/(loss) per share attributable to equity holders of the parent		
Net profit/(loss) per share attributable to equity holders of the parent (basic) (PLN)	0.18	0.25
Net profit/(loss) per share attributable to equity holders of the parent (diluted) (PLN)	0.18	0.25

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15. Intangible assets

	31 December 2017 (audited)	31 December 2016 (audited)
Net value as at 1 January	434	267
Increase - acquisition	253	274
Decrease - sale, liquidation	-	-
Amortisation charge for the financial year	(235)	(107)
Impairment loss	-	-
Net value as at 31 December	452	434
As at 1 January		
Gross value	2,530	2,255
Amortisation and impairment loss	(2,096)	(1,988)
Net value	434	267
As at 31 December		
Gross value	2,783	2,530
Amortisation and impairment loss	(2,331)	(2,096)
Net value	452	434

16. Property, plant and equipment

Year ended 31 December 2017 (audited)	Land and buildings	Means of transport	Plant and equipment	Tangible assets under construction	Total
Net value as at 1 January 2017	1,442	77	3,802	14	5,335
Increase - acquisition	-	-	-	549	549
Increase – from tangible assets under construction	59	-	486	(545)	-
Increase – reclassification of inventories	667	-	-	-	667
Decrease - sale, liquidation	-	-	(3)	-	(3)
Depreciation charge for the financial year	(362)	(60)	(377)	-	(799)
Impairment loss	-	-	-	-	-
Net value as at 31 December 2017 (audited)	1,806	17	3,908	18	5,749
As at 1 January 2017					
Gross value	1,824	1,727	5,854	14	9,419
Depreciation and impairment loss	(382)	(1,650)	(2,052)	-	(4,084)
Net value	1,442	77	3,802	14	5,335
As at 31 December 2017 (audited)					
Gross value	2,550	938	7,037	18	10,543
Depreciation and impairment loss	(744)	(921)	(3,129)	-	(4,794)
Net value	1,806	17	3,908	18	5,749

Year ended 31 December 2016 (audited)

Land and buildings	Means of transport	Plant and equipment	Tangible assets under	Total
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	construction				
Net value as at 1 January 2016	1,775	202	3,798	4	5,779
Increase - acquisition	-	-	-	415	415
Increase – from tangible assets under construction	12	-	393	(405)	-
Decrease - sale, liquidation	(32)	-	(19)	-	(51)
Depreciation charge for the financial year	(313)	(125)	(370)	-	(808)
Impairment loss	-	-	-	-	-
Net value as at 31 December 2016 (audited)	1,442	77	3,802	14	5,335
As at 1 January 2016					
Gross value	1,851	1,727	5,832	4	9,414
Depreciation and impairment loss	(76)	(1,525)	(2,034)	-	(3,635)
Net value	1,775	202	3,798	4	5,779
As at 31 December 2016 (audited)					
Gross value	1,824	1,727	5,854	14	9,419
Depreciation and impairment loss	(382)	(1,650)	(2,052)	-	(4,084)
Net value	1,442	77	3,802	14	5,335

As at 31 December 2017 and 31 December 2016, no item of tangible assets was used as collateral, was subject to encumbrance or mortgaged.

As at 31 December 2017 the Group was a party to leasing agreements for 34 cars which were qualified as operating lease (as at 31 December 2016 – 15 cars). Minimum lease fees under these agreements are presented in Note 28.2.

17. Non-current Receivables

Under Non-current receivables the Group discloses the amounts securing the servicing of its debts, required under long-term loan agreements:

- as at 31 December 2017: security deposit of EUR 500,000 (PLN 2,085,000) and reserve of PLN 9,599,000 in a bank account used for debt servicing.
- as at 31 December 2016: security deposit of EUR 500,000 (PLN 2,212,000) and reserve of PLN 4,979,000 in a bank account used for debt servicing.

18. Land Classified as Non-current Assets

As at 31 December 2017, this position includes the land of PLN 86,254,000 (as at 31 December 2016 of PLN 86,237,000), which is intended for development during a period of over 2 years. The write-down as at 31 December 2017 and 31 December 2016 did not change and was PLN 3,263,000.

In the year ended 31 December 2017, in view of the entry into force on 30 April 2016 of the provisions amending the Act of 11 April 2003 on the shaping of the agricultural system (Journal of Laws of 2012, item 803, of 2016, item 585, 1159) and the introduced restrictions on acquisition of agricultural property, an analysis of impact of the provisions of this Act on the restrictions on the possibility of implementation of investment opportunities on the above-mentioned land was made (see Note 6).

Due to the acquisition of land by the Group with a view to implementing a development investment and allocation in the Study of land use conditions and directions of Wisznia Mała municipality of this property to residential areas, as at 31

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December 2017 the Group discloses the property in the item Land qualified as non-current assets for development during a period of over 2 years, in the valuation by an independent valuer drawn up before the date of entry into force of the above-mentioned act, since despite the restrictions introduced by the Act (which in practice prevent the disposal of this property), there were no other considerations that may affect the current measurement and there is still a possibility to use this land in a manner consistent with the intention of the Group and the Group does not intend to dispose of this property.

19. Investment Property

As at 31 December 2017, the Group's investment property includes:

- retail and office centres: Arkady Wrocławskie and Sky Tower in Wrocław,
- office buildings: Wola Center in Warsaw, Silesia Star complex of office buildings in Katowice (Stage 1 and Stage 2)
- office building under construction: Retro Office House located at ul. Piłsudskiego in Wrocław, Wola Retro located at ul. Skierniewicka in Warsaw

31 December 2017 (audited)	Value EUR	Value PLN	Value adjustment PLN	Balance sheet value PLN
Implemented investment property				
Arkady Wrocławskie	91,900	383,306	-	383,306
Wola Center	104,400	435,442	(303)	435,139
Sky Tower	122,190	509,642	-	509,642
Silesia Star (Stage 1)	34,410	143,521	(722)	142,799
Silesia Star (Stage 2)	29,150	121,582	(8,842)	112,740
Investment property under construction				
Retro Office House	37,872	157,960	-	157,960
Wola Retro				62,938
				1,804,524

31 December 2016 (audited)	Value EUR	Value PLN	Value adjustment PLN	Balance sheet value PLN
Implemented investment property				
Arkady Wrocławskie	108,940	481,951	(9,678)	472,273
Wola Center	105,800	468,059	(507)	467,552
Sky Tower	120,040	531,057	(1,465)	529,592
Silesia Star (Stage 1)	34,490	152,584	(1,096)	151,488
Silesia Star (Stage 2)	29,267	129,477	(13,404)	116,073
Investment property under construction				
Retro Office House				28,526
Wola Retro				44,865
				1,810,369

As at 31 December 2017, the fair values of investment property were established on the basis of valuation made by professional real estate appraisers. Market values of the property have been estimated in the income approach, using the investment method. The income approach and the investment method are based on the assumption that the value of a property depends on the rental income that can be obtained from the property and the capitalisation rate. Income from the property is due to lease agreements and in the case of free surface with the use of market rental rates. The rate of return, known as capitalisation rate, is determined on the basis of the analysis of similar transactions on the

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market in a given financial year. Valuation is expressed in the currency of the invoiced rents, i.e. in EUR and converted into PLN at the average NBP exchange rate at the date of the end of the accounting period. Valuation determined in this manner has been reduced by other costs to be incurred for surface finishes in the facility in the case of Wola Center and Silesia Star (Stage 1 and 2).

As at 31 December 2017, investment property under construction includes:

- Retro Office House located at ul. Piłsudskiego in Wrocław. As at 31 December 2017, the construction of Retro Office House was not finished yet, therefore the fair value appraisal of the investment property was estimated on the basis of an appraisal made by a professional valuer as at the date after the completion of the project, less outlays to be still made and the developer's margin (the residual method),
- Wola Retro, located at ul. Skierniewicka in Warsaw – taking into consideration the progress of the construction – has been valued at historical cost.

The reconciliation of changes to the balance-sheet values of investment property in the period ended 31 December 2017 and the year 31 December 2016 is presented in the table below:

	31 December 2017 (audited)	31 December 2016 (audited)
At the beginning of the reporting period	1,810,369	1,648,059
Acquisition of land for the construction of investment property	-	41,572
Capital expenditure incurred	112,881	62,780
Revaluation of property fair value (EUR/PLN conversion)	(100,870)	62,564
Revaluation of property fair value (<i>inter alia</i> : due to changes in the EUR valuation of property and finishing works)	(17,856)	(4,606)
At the end of the reporting period	1,804,524	1,810,369

In 2017, the Group's operating activity related to the rental of commercial property was conducted in the Arkady Wrocławskie retail and office centre, the Sky Tower retail and office centre and Wola Center and Silesia Star (Stage 1 and 2) office buildings.

The table below shows the amounts of revenues and expenses from investment properties for the year ended 31 December 2017 and 31 December 2016, other than revaluation to fair value:

	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
Revenue from rental	143,510	144,716
Direct operating expenses (including repair and maintenance expenses), which brought revenue from rental and related services in a given year	(44,928)	(41,608)

20. Inventory

	31 December 2017 (audited)	31 December 2016 (audited)
Advances on purchase of land	5,264	-
Work in progress	964,248	977,348
Finished products	140,882	42,999
Write-downs of inventories	(132,529)	(135,807)
Total inventories	977,865	884,540

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As at 31 December 2017, the costs of external financing of PLN 52,984,000 (as at 31 December 2016 they were PLN 52,049,000) were capitalised in the value of inventories.

At the end of each reporting period, the Management Board verifies if there is any evidence pointing to the loss of value of its property development projects under implementation on the basis of sales reports, market research and other available evidence. Should the risk of the loss of value occur, the value of such projects is estimated employing the DCF method, which is used to establish the write-down of inventories. The DCF method is based on discounted cash flows generated within the approved investment schedules and proceeds from the sale of premises, allowing for the sale price of 1 square metre of usable floor space in accordance with the current market situation. The discount rate takes account of the weighted average cost of external and own capital (WACC).

The write-downs of inventories are estimated as at 31 December 2017 and may be subject to change depending on the fluctuation of market prices of land, selling prices of flats, construction costs, project completion schedules and discount rate calculations in the future. The actual results may vary from these estimates, which were calculated on the grounds of the 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 the following financial periods.

Changes in the write-downs of inventories were as follows:

	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
At the beginning of the reporting period	135,807	115,832
Increase	-	25,394
Use	(3,278)	(5,419)
Decrease	-	-
At the end of the reporting period	132,529	135,807

As at 31 December 2017 and as at 31 December 2016, the items of inventories used as collateral are described in Note 35.3.

21. Trade and Other Receivables

	31 December 2017 (audited)	31 December 2016 (audited)
Trade receivables	14,699	14,950
State budget receivables (without income tax)	16,676	11,394
Other receivables from third parties	597	323
Total receivables (net)	31,972	26,667
Adjustment taking account of deferred income (*)	(1,597)	(69)
Valuation allowance for receivables	(8,005)	(4,493)
Gross receivables	41,574	31,229

(*) As at 31 December 2017 and 31 December 2016, the Group recognised receivables on account of accrued penalties and damages in the amount of PLN 1,597,000 and PLN 69,000 respectively, net of deferred income resulting therefrom.

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Changes in the write-down of receivables were as follows:

	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
At the beginning of the period	4,493	4,511
Increase	3,992	2,159
Use	(152)	(1,107)
Decrease	(328)	(1,070)
At the end of the period	8,005	4,493

The table below presents the analysis of trade receivables, which as at 31 December 2017 and 31 December 2016 were past due, but were not regarded as uncollectible.

	Total	Not past due	Past due, but collectible			
			< 30 days	30 – 90 days	90 – 180 days	> 180 days
31 December 2017	14,699	5,644	5,988	2,523	326	218
31 December 2016	14,950	7,097	5,065	1,877	609	302

22. Current financial assets

	31 December 2017 (audited)	31 December 2016 (audited)
Financial instruments - forward transactions	223	-
Cash in open trust accounts	16,692	5,471
	16,915	5,471

23. Cash and Cash Equivalents

	31 December 2017 (audited)	31 December 2016 (audited)
Cash on hand and in a bank account	321,881	63,863
Bank deposits	22,367	290,988
	344,248	354,851

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 months, depending on the Group's current demand for cash, and bear interest according to interest rates negotiated for such periods. "Overnight" deposits are presented under "Cash on hand and in bank account".

Restricted cash refers to funds held in a bank technical account, which can be utilised, with the Bank's consent, to finance or refinance expenditures on fit-out works necessary to adapt unfinished rooms so as to meet the needs of a specific lessee and soft costs relating to commercialisation, the preparation and completion of finish works that have to be carried out in unfinished areas.

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24. Prepayments

	31 December 2017 (audited)	31 December 2016 (audited)
Commissions for sales agency	382	295
Settlements on account of lease agreements covering commercial areas	1,898	-
Other	179	92
Non-current	2,459	387
Commissions for sales agency	4,692	2,893
Insurance	387	337
Settlements on account of lease agreements covering commercial areas	210	-
Other	1,451	1,234
Current	6,740	4,464

25. Equity

25.1. Share Capital

Share capital

	31 December 2017 (audited)	31 December 2016 (audited)
Series A ordinary shares with a par value PLN 1.00 per share	500,000	500,000
Series B ordinary shares with a par value PLN 1.00 per share	113,700,000	113,700,000
Series C ordinary shares with a par value PLN 1.00 per share	1,452,546	1,452,546
Series D ordinary shares with a par value PLN 1.00 per share	1,472,018	1,472,018
Series E ordinary shares with a par value PLN 1.00 per share	32,000,000	32,000,000
Series F ordinary shares with a par value PLN 1.00 per share	102,000,000	102,000,000
Series G ordinary shares with a par value PLN 1.00 per share	80,000,000	80,000,000
Series H ordinary shares with a par value PLN 1.00 per share	58,433,747	58,433,747
Series I ordinary shares with a par value PLN 1.00 per share	1,000,000	1,000,000
Series J ordinary shares with a par value PLN 1.00 per share	57,000,000	57,000,000
	447,558,311	447,558,311

Ordinary shares of LC Corp S.A. issued, registered and fully paid

	Number	Value PLN'000
As at 1 January 2017	447,558,311	447,558
As at 31 December 2017	447,558,311	447,558

Par value of shares

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

Shareholders' rights

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

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Significant shareholders

As at 31 December 2017, the shareholders possessing, directly or indirectly through subsidiary undertakings, at least 5% of the total vote at the General Meeting of the Issuer:

Shareholder	Number of shares	Number of votes	Share in Share Capital (%)	Share (%) in total vote at general meeting
Otwarty Fundusz Emerytalny PZU "Złota Jesień"	67,908,000	67,908,000	15.17 %	15.17 %
Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne through Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny	63,226,784	63,226,784	14.13 %	14.13 %
ALTUS Towarzystwo Funduszy Inwestycyjnych S.A.	59,829,016	59,829,016	13.37%	13.37%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	43,700,000	43,700,000	9.76%	9.76%
Aegon Otwarty Fundusz Emerytalny ⁽¹⁾	26,543,080	26,543,080	5.93 %	5.93 %

(1) On 1 September 2017, Aegon Powszechnie Towarzystwo Emerytalne assumed the responsibility for the management of Nordea Otwarty Fundusz Emerytalny and on 17/11/2017 it assumed all the rights and obligations of Nordea OFE.

As at 31 December 2016, the shareholders possessing, directly or indirectly through subsidiary undertakings, at least 5% of the total vote at the General Meeting of the Issuer:

Shareholder	Number of shares	Number of votes	Share in Share Capital (%)	Share (%) in total vote at general meeting
Leszek Czarniecki directly and indirectly ⁽¹⁾ including: LC Corp B.V. with registered office in Amsterdam	229,359,795	229,359,795	51.24%	51.24%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	30,200,000	30,200,000	6.75%	6.75%
Nationale Nederlanden Otwarty Fundusz Emerytalny	35,000,000	35,000,000	7.82%	7.82%
OFE PZU "Złota Jesień"	44,669,000	44,669,000	9.98 %	9.98 %

(1) Mr Leszek Czarniecki directly holds 14,657,685 shares representing 3.27% of the share capital and 3.27% of the total vote at the General Meeting, and indirectly through his subsidiary undertakings Mr Leszek Czarniecki holds 214,702,110 shares representing 47.97% of the share capital and 47.97% of the total vote at the General Meeting. Mr Leszek Czarniecki's subsidiary undertakings include LC Corp B.V with registered office in Amsterdam, which holds 192,872,084 shares representing 43.09% of the share capital and 43.09% of the total vote at the General Meeting, Getin Noble Bank S.A. with registered office in Warsaw, which holds 21,829,026 shares representing 4.88% of the share capital and 4.88% of the total vote at the General Meeting, and RB Investcom Sp. z o.o. with registered office in Wrocław, which holds 1,000 shares representing 0.0002% of the share capital and 0.0002% of the total vote at the General Meeting.

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25.2. Other capital

	31 December 2017 (audited)	31 December 2016 (audited)
Surplus of the issue value over the par value less issue costs	328,015	328,015
Capital from the acquisition of subsidiaries	61,742	61,742
Retained earnings	530,581	448,786
Reserve funds, other reserve funds and retained earnings	920,338	838,543
Valuation of share-based benefits	3,108	3,108
Revaluation of hedging instruments - hedge accounting	(2,868)	(6,181)
Current	240	(3,073)
Total other capital	920,578	835,470

26. Liabilities on Account of Loans and Bonds

Interest-bearing Bank Loans and Bonds

Non-current	Entity	Interest rate	Repayment date	31 December 2017 (audited)	31 December 2016 (audited)
Bank loan in EUR (a)	Arkady Wroclawskie S.A.	Euribor 3M+margin	31 Dec 2022	93,232	-
Bank loan in EUR (b)	Warszawa Przyokopowa Sp. z o.o.	Euribor 1M+margin	15 Jun 2022	171,198	203,032
Bank loan in EUR (c)	Sky Tower S.A.	Euribor 3M+margin	20 Dec 2022	195,552	217,072
Bank loan in EUR (d)	LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. (Silesia Star)	Euribor 3M+margin	31 Dec 2025	42,411	52,893
Bank loan in EUR (e)	LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. (Silesia Star)	Euribor 3M+margin	31 Dec 2025	52,924	47,995
Bank loan in EUR (f)	LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. (Retro Office House)	Euribor 3M+margin	30 May 2029	36,637	-
Bank loan in PLN (g)	LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. (Retro Office House)	Wibor 1M+margin	31 Oct 2019	1,187	-
Bank loan in PLN (h)	LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. (Wola Retro)	Euribor 3M+margin	28 Nov 2027	-	-
Bank loan in PLN (i)	LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. (Wola Retro)	Wibor 1M+margin	28 Nov 2020	-	-
Bank loan in PLN (j)	LC Corp S.A.	Wibor 1M+margin	31 Dec 2018	-	49,893
Bank loan in PLN (k)	LC Corp S.A.	Wibor 1M+margin	31 Dec 2018	-	37,885
Bond scheme (l)	LC Corp S.A.	Wibor 6M+margin	30 Oct 2018	-	49,780
Bond scheme (m)	LC Corp S.A.	Wibor 6M+margin	6 Jun 2019	49,858	49,758
Bond scheme (n)	LC Corp S.A.	Wibor 6M+margin	20 Mar 2020	64,796	64,704
Bond scheme (o)	LC Corp S.A.	Wibor 6M+margin	10 May 2021	84,750	84,675
Bond scheme (p)	LC Corp S.A.	Wibor 6M+margin	10 May 2021	14,975	14,967
Bond scheme (q)	LC Corp S.A.	Wibor 6M+margin	6 Oct 2021	24,953	24,940
Bond scheme (r)	LC Corp S.A.	Wibor 6M+margin	6 Oct 2021	14,920	14,899

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Bond scheme (s)	LC Corp S.A.	Wibor 6M+margin	5 Jun 2022	49,582	-
Revolving loan (t)	LC Corp S.A.	Wibor 1M+margin	31 Dec 2018	-	-
				896,975	912,493

Current	Entity	Interest rate	Repayment date	31 December 2017 (audited)	31 December 2016 (audited)
Bank loan in EUR (a)	Arkady Wrocławskie S.A.	Euribor 3M+margin	31 Dec 2018	10,427	139,762
Bank loan in EUR (b)	Warszawa Przyokopowa Sp. z o.o.	Euribor 1M+margin	31 Dec 2018	10,227	10,423
Bank loan in EUR (c)	Sky Tower S.A.	Euribor 3M+margin	31 Dec 2018	13,567	13,919
Bank loan in EUR (d)	LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. (Silesia Star)	Euribor 3M+margin	31 Dec 2018	2,209	2,284
Bank loan in EUR (e)	LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. (Silesia Star)	Euribor 3M+margin	31 Dec 2018	2,141	788
Bank loan in EUR (f)	LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. (Retro Office House)	Euribor 3M+margin	31 Dec 2018	-	-
Bank loan in PLN (g)	LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. (Retro Office House)	Wibor 1M+margin	31 Dec 2018	-	-
Bank loan in PLN (h)	LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. (Wola Retro)	Euribor 3M+margin	31 Dec 2018	-	-
Bank loan in PLN (i)	LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. (Wola Retro)	Wibor 1M+margin	31 Dec 2018	-	-
Bank loan in PLN (j)	LC Corp S.A.	Wibor 1M+margin	31 Dec 2018	50,089	90
Bank loan in PLN (k)	LC Corp S.A.	Wibor 1M+margin	31 Dec 2018	38,092	149
Bond scheme (l)	LC Corp S.A.	Wibor 6M+margin	30 Oct 2018	50,328	419
Bond scheme (m)	LC Corp S.A.	Wibor 6M+margin	6 Jun 2018	164	161
Bond scheme (n)	LC Corp S.A.	Wibor 6M+margin	20 Mar 2018	963	991
Bond scheme (o)	LC Corp S.A.	Wibor 6M+margin	10 May 2018	618	623
Bond scheme (p)	LC Corp S.A.	Wibor 6M+margin	10 May 2018	108	109
Bond scheme (q)	LC Corp S.A.	Wibor 6M+margin	6 Apr 2018	309	309
Bond scheme (r)	LC Corp S.A.	Wibor 6M+margin	6 Apr 2018	183	140
Bond scheme (s)	LC Corp S.A.	Wibor 6M+margin	5 Jun 2018	176	-
Revolving loan (t)	LC Corp S.A.	Wibor 1M+margin	31 Dec 2018	-	-
				179,601	170,167

- (a) Loan at Arkady Wrocławskie taken out in EUR on 28 February 2008 with the consortium of banks: ING Bank Śląski S.A. and Bank Zachodni WBK S.A. On 29 December 2017, the Company and Bank Zachodni WBK S.A. executed an amendment to the consortium loan agreement of 28 February 2008 to extend the period of financing granted under the loan agreement. The amount of loan granted under the said amendment is EUR 25,000,000, and the loan repayment date has been fixed for 31 December 2022. Prior to entering into the above amendment, i.e. on 27 December 2017, an amendment to the loan agreement was executed between Arkady Wrocławskie S.A. and ING Bank Śląski S.A. and Bank Zachodni WBK S.A., as the existing consortium of lending banks, under which ING Bank Śląski S.A. assigned to Bank Zachodni WBK S.A. its receivables against the Company arising from the loan granted within the framework of the bank consortium, and Bank Zachodni WBK S.A. accepted the said assignment becoming thus the sole lender. At this moment, also all the entitlements, rights and claims (including the entire collateral), and all the risks and obligations relating to the loan were assigned to Bank Zachodni WBK S.A..

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- (b) The loan at Warszawa Przyokopowa Sp. z o.o. was taken out pursuant to the agreement of 15 July 2011 with Raiffeisen Bank Polska S.A. in the amount of up to EUR 49,000,000 for the partial financing of the construction of Wola Center office building development in Warsaw. On 26 June 2014 the company concluded an amendment to the Loan Agreement pursuant to which the maximum amount was increased to EUR 55,000,000.
- (c) The loan at Sky Tower S.A. taken out in EUR pursuant to the agreement of 29 December 2012 concluded with the consortium of banks Getin Noble Bank S.A. and Alior Bank S.A.
- (d) The Loan at LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. taken out under the agreement of 14 May 2014 with PKO BP S.A. The loan was taken out in EUR up to the amount equivalent in EUR of PLN 62,000,000 in order to finance, partially, the construction of an office and retail development with a car park under the name Silesia Star (stage 1) in Katowice at ul. Rożdzieńskiego.
- (e) The loan at LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. taken out under the agreement of 26 February 2016 with PKO BP S.A. The loan amounts to the equivalent in EUR of PLN 63,500,000 for the partial financing of the 2 stage of Silesia Star.
- (f) The loan at LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. taken out pursuant to the agreement of 30 November 2016 with mBank Hipoteczny S.A. up to the amount of EUR 23,700,000 for the partial financing of Retro Office House.
- (g) The revolving loan at LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. taken out under the agreement of 26 April 2017 with mBank S.A. up to the amount of PLN 6,000,000 for financing and refinancing the payment of VAT in respect of costs related to Retro Office House.
- (h) The loan at LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. taken out pursuant to the agreement 20 December 2017 with the consortium of mBank Hipoteczny S.A. and mBank S.A. up to the amount of EUR 34,187,000 for the partial financing of Wola Retro in Warsaw. As at 31 December 2017, no loan disbursement was made yet.
- (i) The revolving loan at LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. taken out under the agreement of 20 December 2017 with the consortium of mBank Hipoteczny S.A. and mBank S.A. up to the amount of PLN 7,000,000 for financing and refinancing the payment of VAT in respect of costs related to Wola Retro in Warsaw. As at 31 December 2017, no loan disbursement was made yet.
- (j) Loan at LC Corp S.A. taken out in PLN with Getin Noble Bank S.A. pursuant to the agreement concluded on 29 April 2014, disbursed on 30 April 2014 in LC Corp S.A.
- (k) Loan at LC Corp S.A. taken out in PLN with Getin Noble Bank S.A. pursuant to the agreement concluded on 18 June 2014, disbursed on 3 September 2015 in LC Corp S.A.
- (l) Coupon bonds – the issue of 31 October 2013, including 500 five-year unsecured coupon bonds, having a par value of PLN 100,000 each and a total nominal value of PLN 50,000,000 each under a Bond Issue Agreement with the buyback date set at 30 October 2018 concluded with the banks Pekao S.A. having its registered office in Warsaw and mBank S.A. having its registered office in Warsaw.
- (m) Coupon bonds – the issue of 6 June 2014, including 50,000 five-year unsecured coupon bonds, having a par value of PLN 1,000 each and a total nominal value of PLN 50,000,000 each under a Bond Issue Agreement with the buyback date set at 6 June 2019 concluded with the banks Pekao S.A. having its registered office in Warsaw and mBank S.A. having its registered office in Warsaw.
- (n) Coupon bonds – the issue of 20 March 2015, including 65,000 five-year unsecured coupon bonds, having a par value of PLN 1,000 each and a total nominal value of PLN 65,000,000 each under a Bond Issue Agreement with the buyback date set at 20 March 2020 concluded with the banks Pekao S.A. having its registered office in Warsaw and mBank S.A. having its registered office in Warsaw.

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- (o) Coupon bonds – the issue of 10 May 2016, including 85,000 five-year unsecured coupon bonds, having a par value of PLN 1,000 each and a total nominal value of PLN 85,000,000 each under a Bond Issue Agreement with the buyback date set at 10 May 2021 concluded with the banks Pekao S.A. having its registered office in Warsaw and mBank S.A. having its registered office in Warsaw. On 23 December 2016, the assimilation of bonds of these series with bonds issued on 19 August 2016 took place on the “Catalyst” bond market.
- (p) Coupon bonds – the issue of 19 August 2016, including 15,000 five-year unsecured coupon bonds, having a par value of PLN 1,000 each and a total nominal value of PLN 15,000,000 each under a Bond Issue Agreement with the buyback date set at 10 May 2021 concluded with the banks Pekao S.A. having its registered office in Warsaw and mBank S.A. having its registered office in Warsaw. On 23 December 2016, the assimilation of bonds of these series with bonds issued on 10 May 2016 took place on the “Catalyst” bond market.
- (q) Coupon bonds – the issue of 6 October 2016, including 25,000 five-year unsecured coupon bonds, having a par value of PLN 1,000 each and a total nominal value of PLN 25,000,000 each under a Bond Issue Agreement with the buyback date set at 6 October 2021 concluded with the banks Pekao S.A. having its registered office in Warsaw and mBank S.A. having its registered office in Warsaw. On 25 April 2017, the assimilation of bonds of these series with bonds issued on 27 October 2016 took place on the “Catalyst” bond market.
- (r) Coupon bonds – the issue of 27 October 2016, including 15,000 five-year unsecured coupon bonds, having a par value of PLN 1,000 each and a total nominal value of PLN 15,000,000 each under a Bond Issue Agreement with the buyback date set at 6 October 2021 concluded with the banks Pekao S.A. having its registered office in Warsaw and mBank S.A. having its registered office in Warsaw. On 25 April 2017, the assimilation of bonds of these series with bonds issued on 6 October 2016 took place on the “Catalyst” bond market.
- (s) Coupon bonds – the issue of 5 December 2017, including 50,000 five-year unsecured coupon bonds, having a par value of PLN 1,000 each and a total nominal value of PLN 50,000,000 each under a Bond Issue Agreement with the buyback date set at 5 June 2022 concluded with the banks Pekao S.A. having its registered office in Warsaw and mBank S.A. having its registered office in Warsaw.
- (t) Revolving loan in the amount of up to PLN 25,000,000 – taken out under the agreement concluded between LC Corp S.A. and Getin Noble Bank S.A. on 21 December 2016, and the final repayment date fixed for 31 December 2018. As at 31 December 2017, the loan balance was PLN 0.00.

The allocation of respective loans, bonds to operating segments is presented in Note 11.

The average weighted interest of loans and bonds in the year ended 31 December 2017 was 3.6%. The average weighted interest of loans and bonds in 2016 was 3.6 %.

Liabilities Arising from Valuation of Financial Instruments

As at 31 December 2017 and 31 December 2016, the fair value measurement of transactions hedging the risk of an interest rate increase, of the IRS and forward type, was recognised under “Liabilities on account of loans and bonds” and totalled:

	31 December 2017 (audited)	31 December 2016 (audited)
Non-current	5,133	9,312
Current	-	-
Total	5,133	9,312

Issue, Buyout of Equity Securities

In the year ended 31 December 2017, the following bonds were issued:

1. On 5 December 2017, 50,000 five-year unsecured coupon bonds having a par value of PLN 1,000 each and a total nominal value of PLN 50,000,000 each were issued under a Bond Issue Agreement with the buyback date set at 5 June 2022 concluded with the banks Pekao S.A. having its registered office in Warsaw and mBank S.A. having its registered office in Warsaw.

In the year ended 31 December 2017, no bonds were repaid.

Taking out and Repayment of Bank Loans and Borrowings

1. In the year ended 31 December 2017, Arkady Wrocławskie repaid instalments of the loan taken out in EUR with the consortium of banks: ING Bank Śląski S.A. and Bank Zachodni WBK S.A. in the amount of PLN 27,955,000. On 29 December 2017, the Company concluded with Bank Zachodni WBK S.A. an amendment to the consortium loan agreement of 28 February 2008 between the Company and the consortium of banks comprised of ING Bank Śląski S.A. and Bank Zachodni WBK S.A. In accordance with the provisions of the Amendment and for the purpose thereof, the period of financing provided under the loan agreement was extended. The amount of loan granted under the said amendment is EUR 25,000,000, and the loan repayment date has been fixed for 31 December 2022. Prior to entering into the above amendment, i.e. on 27 December 2017, an amendment to the loan agreement was executed between Arkady Wrocławskie S.A. and ING Bank Śląski S.A. and Bank Zachodni WBK S.A., as the existing consortium of lending banks, under which ING Bank Śląski S.A. assigned to Bank Zachodni WBK S.A. its receivables against the Company arising from the loan granted within the framework of the bank consortium, and Bank Zachodni WBK S.A. accepted the said assignment becoming thus the sole lender. At this moment, all the entitlements, rights and claims (including the entire collateral), and all the risks and obligations relating to the loan were assigned to Bank Zachodni WBK S.A.. As at 31 December 2017, the total amount to be repaid, after conversion into PLN, was PLN 103,659,000.
2. In the year ended 31 December 2017, Warszawa Przyokopowa Sp. z o.o. repaid, in accordance with the payment schedule, the instalments of the loan in EUR taken out with Raiffeisen Bank Polska S.A. in the amount of PLN 20,068,000. As at 31 December 2017, the total amount to be repaid, after conversion into PLN, was PLN 181,425,000.
3. In the year ended 31 December 2017, Sky Tower S.A. repaid, in accordance with the payment schedule, the instalments of the loan in EUR taken out with the consortium of banks: Getin Noble Bank S.A. and Alior Bank S.A. in the amount of PLN 8,581,000. As at 31 December 2017, the total amount to be repaid, after conversion into PLN, was PLN 209,119,000.
4. In the year ended 31 December 2017, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 20 Sp. k. repaid, according to the loan agreement aimed at the financing of the construction of the office development – Silesia Star 1st stage), the loan in the amount of PLN 7,442,000. As at 31 December 2017, the total amount to be repaid, after conversion into PLN, was PLN 44,620,000.
5. In the year ended 31 December 2017, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 20 Sp. k., according to the loan agreement with PKO BP S.A. aimed at the partial financing of the 2nd stage of Silesia Star project, drew down funds under the loan taken out in EUR in the total amount of PLN 10,632,000 and repaid the loan in the amount of PLN 1,108,000. As at 31 December 2017, the total amount to be repaid, after conversion into PLN, was PLN 55,065,000.

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6. On 30 November 2016, LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k., as borrower, entered into a loan agreement with mBank Hipoteczny S.A. in the amount of up to EUR 23,700,000 for financing and refinancing Retro Office House in Wrocław. In the year ended 31 December 2017, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 21 Sp. k. drew down funds under the loan taken out in EUR in the total amount of PLN 37,535,000. As at 31 December 2017, the total amount to be repaid, after conversion into PLN, was PLN 36,637,000.
7. On 26 April 2017, LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k., as borrower, entered into a revolving loan agreement with mBank Hipoteczny S.A. in the amount of up to PLN 6,000,000 for financing and refinancing the payment of VAT in respect of costs related to Retro Office House. In the year ended 31 December 2017, LC Corp Invest XVII Spółka z ograniczoną odpowiedzialnością Projekt 21 Sp. k. drew down net funds (disbursements less repayments) under the loan taken out in PLN in the total amount of PLN 1,187,000. As at 31 December 2017, the total amount to be repaid, after conversion into PLN, was PLN 1,187,000.
8. On 20 December 2017, LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k., as borrower, executed with the consortium of mBank Hipoteczny S.A. and mBank S.A. an investment loan agreement in the amount of up to EUR 34,187,000 for financing and refinancing Wola Retro in Warsaw and a revolving loan agreement in the amount of up to PLN 7,000,000 for financing and refinancing the payment of VAT in respect of costs related to this project. As at 31 December 2017, no loan disbursements were made yet.
9. In the year ended 31 December 2017, pursuant to the agreement concluded between LC Corp S.A. and Getin Noble Bank S.A., under which a revolving loan was taken out up to the amount of PLN 25,000,000, the Company paid off the net loan amount (disbursements less repayments) in the amount of PLN 32.60. As at 31 December 2017, the loan balance was PLN 0.00.

27. Liabilities on Account of Acquisition of Subsidiary

On 6 December 2013, LC Corp S.A. acquired 100% of the shares of Sky Tower S.A. from LC Corp B.V. for a price of PLN 259,000,000, to be paid by instalments until 31 December 2019, and thus became the sole shareholder of the acquired company. Due to the fact that the date of payment for the shares of Sky Tower S.A. was deferred, the liability on account thereof was disclosed in the consolidated financial statements as an discounted amount. In 2017, the Company repaid another instalment in respect of the acquisition of the shares of Sky Tower S.A. in the amount of PLN 40,400,000. As at 31 December 2017, the amount to be repaid was PLN 80,800,000, whereas the discount to be settled amounted as at that day to PLN 4,163,000 (as at 31 December 2016, it was PLN 8,230,000).

	31 December 2017 (audited)	31 December 2016 (audited)
Non-current	37,641	73,974
Current	38,996	38,996
Total	76,637	112,970

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28. Trade Liabilities

28.1. Trade and Other Payables

	31 December 2017 (audited)	31 December 2016 (audited)
Trade payables	90,346	63,381
State budget liabilities (without income tax)	2,208	2,764
Liabilities on account of security deposits	25,763	23,665
Liabilities on account of dividend	-	-
Other liabilities	106	85
TOTAL, including:	118,423	89,895
- non-current	-	-
- current	118,423	89,895

An analysis of maturity of trade and other payables as at 31 December 2017 and 31 December 2016 is presented below:

	31 December 2017 (audited)	31 December 2016 (audited)
up to 1 year	118,423	89,895
between 1 year and 5 years	-	-
above 5 years	-	-
	118,423	89,895

Trade payables are interest-free and usually settled within 14 to 30 days.

Budget liabilities are settled at statutory dates.

Liabilities on account of security deposits are interest-free and settled at dates resulting from concluded agreements.

28.2. Liabilities due to Lease Agreements and Operating Lease

Future minimum payments on account of land lease contracts, to which the Group is the leasing party, are as follows:

	31 December 2017 (audited)	31 December 2016 (audited)
up to 1 year	-	1,206
between 1 year and 5 years	-	4,823
above 5 years	-	15,575
TOTAL	- (*)	21,604

(*) On 30 January 2017, Arkady Wrocławskie S.A. acquired the right of perpetual usufruct to land leased since 2004, and on the said date the related lease agreements expired.

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Future minimum payments on account of operating lease contracts, to which the Group is the party and acts as lessee, are as follows:

	31 December 2017 (audited)	31 December 2016 (audited)
up to 1 year	310	136
between 1 year and 5 years	568	253
above 5 years	-	-
TOTAL	878	389

28.3. Contingent Liabilities

From the end of the last financial year there were no significant changes in contingent liabilities or contingent assets of the Group companies, except for contingent liabilities arising from real estate development, relating to contingent fees for the removal of trees, whose total amount increased from PLN 5,553,000 as at 31 December 2016 to PLN 6,392,000 as at 31 December 2017.

Apart from contingent liabilities representing security for the bank loans, described in detail in Note 35.3 and the above-described contingent fees for the removal of trees, as at 31 December 2017, the Group Companies do not have any significant liabilities other than those presented in the statement of financial position.

28.4. Investment Liabilities

As at 31 December 2017, the Group did not plan to incur any significant expenditures on property, plant and equipment and intangible assets and did not have any significant contractual obligations whose subject matter was the acquisition of property, plant and equipment and intangible assets.

In 2018, the Group plans to incur expenditures on investment projects (inventories and investment properties) in the amount of about PLN 826,000,000.

28.5. Court Proceedings

Currently, there are no proceedings before the court or arbitration or public administration authorities with regard to liabilities or receivables of LC Corp S.A. or its subsidiaries whose value would be significant for the financial standing of the Group companies. The subsidiary undertakings of LC Corp S.A. are parties to court and public administration proceedings whose value is insignificant for their operations or financial standing. Other proceedings are mostly related to claims of LC Corp S.A.'s subsidiaries lodged against their debtors.

29. Provisions

The amounts of provisions and the reconciliation presenting the changes in their position during the year are shown in the table below:

	<i>Retirement and disability benefits and bereavement payment</i>	<i>Disputes and litigation</i>	<i>Remedy of construction faults and defects</i>	<i>Total</i>
As at 1 January 2017	22	1,441	15	1,478
Created	-	344	-	344
Used	-	-	-	-
Reversed	-	-	(1)	(1)
As at 31 December 2017, including:	22	1,785	14	1,821
- non-current	22	-	-	22
- current	-	1,785	14	1,799

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	<i>Retirement and disability benefits and bereavement payment</i>	<i>Disputes and litigation</i>	<i>Remedy of construction faults and defects</i>	<i>Total</i>
As at 1 January 2016	22	597	100	719
Created	-	855	-	855
Used	-	(11)	-	(11)
Reversed	-	-	(85)	(85)
As at 31 December 2016, including:	22	1,441	15	1,478
- non-current	22	-	-	22
- current	-	1,441	15	1,456

30. Accrued Expenses and Revenues

	31 December 2017 (audited)	31 December 2016 (audited)
Accrued expenses on account of salaries and wages	10,199	6,515
Accrued expenses on account of holidays not taken	951	997
Accrued expenses on account of additional payments for perpetual usufruct	22	-
Accrued expenses on account of the audit of financial statements	356	288
Other	338	870
Accrued expenses	11,866	8,670
Accrued rental revenues	36	37
Accrued revenues from the sale of flats	442,934	376,700
Other accrued revenues	430	25
Accrued revenues	443,400	376,762
Accrued Expenses and Revenues	455,266	385,432

31. Explanations to Statement of Cash Flow

31.1. Change in Liabilities, Except for Loans and Borrowings

	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
Balance-sheet change in liabilities, except for loans and bonds	(7,805)	(29,223)
Investment Liabilities	(12,565)	(1,616)
Liabilities on account of acquisition of shares	40,400	40,400
Change in liabilities	20,030	9,561

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31.2. Other Adjustments

	Year ended 31 December 2017 (audited)	Year ended 31 December 2016 (audited)
Acquisition of land for the construction of investment property	-	(41,572)
Valuation of forward instruments	(483)	271
Reclassification of open trust accounts	(11,221)	5,425
Other	126	(165)
Other adjustments	(11,578)	(36,041)

In 2017, a change in the presentation of information involved recognising the property revaluation as a separate item "Profit (Loss) in respect of revaluation of non-financial non-current assets".

32. Transactions with Related Undertakings

The following table shows the total amounts of transactions concluded with related undertakings for the year ended 31 December 2017 and 31 December 2016:

31 December 2017 (audited)

<i>Related undertaking</i>	Sales to related undertakings	Purchases from related undertakings	Receivables from related undertakings (trade and financial)	Liabilities to related undertakings (trade and financial)	Financial income (interest)	Financial expenses (interest, discounts)
Shareholders (***)						
LC Corp B.V (*)	-	-	n/a	n/a	-	-
Undertakings related through shareholders (***)						
LC Corp Sky Tower Sp. z o.o.	398	375	n/a	n/a	-	-
Development System sp. z o.o.	340	-	n/a	n/a	-	-
Europejski Dom Brokerski Sp. z o.o.	8	-	n/a	n/a	-	-
Fundacja Jolanty i Leszka Czarnieckich	22	-	n/a	n/a	-	-
Getin Holding S.A.	1,300	-	n/a	n/a	-	-
Getin Leasing S.A.	60	-	n/a	n/a	-	-
Getin Noble Bank S.A.	17,125	205	n/a	n/a	4,151	7,403
Home Broker S.A.	574	2,410	n/a	n/a	-	-
Idea Bank S.A.	6,949	-	n/a	n/a	-	595
Idea Fleet S. A.	34	297	n/a	n/a	-	-
Idea Leasing S.A.	2	-	n/a	n/a	-	-
Idea Money S.A.	1,146	-	n/a	n/a	-	-
Multifinance Expert Sp. z o.o.	7	-	n/a	n/a	-	-
Noble Concierge Sp. z o.o.	-	-	n/a	n/a	-	-
Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A. (**)	925	-	n/a	n/a	-	-
Noble Securities S.A.	701	23	n/a	n/a	-	-
Open Finance S.A.	2,138	-	n/a	n/a	-	-
Open Life TFI	1,037	-	n/a	n/a	-	-
RB Computer Sp. z o.o.	-	17	n/a	n/a	-	-
RB Investcom Sp. z o.o.	198	-	n/a	n/a	-	-

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Sky Dress Sp. z o.o.	5	-	n/a	n/a	-	-
Tax Care S.A.	826	-	n/a	n/a	-	-
TU Europa S.A.	1,780	-	n/a	n/a	-	-
TU Europa Życie S.A.	1,745	-	n/a	n/a	-	-
Sax Development Sp. z o.o.	203	-	n/a	n/a	-	-

(*) see Note 27

(**) On 1 June 2017, Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A. merged with Open Finance Towarzystwo Funduszy Inwestycyjnych S.A.

(***) as consequence of the change of the main shareholder of the parent undertaking in September 2017, entities listed as at 31 December 2017 were not undertakings related to the Company. Transactions showed in the table refer to data until 30 September 2017.

31 December 2016 (audited)

	Sales to related undertakings	Purchases from related undertakings	Receivables from related undertakings (trade and financial)	Liabilities to related undertakings (trade and financial)	Financial income (interest)	Financial expenses (interest, discounts)
Related undertaking						
Shareholders						
LC Corp B.V (*)	-	-	-	121,200	-	-
Undertakings related through shareholders						
LC Corp Sky Tower sp. z o.o.	538	361	4	37	-	-
Development System sp. z o.o.	222	-	11	-	-	-
Europejski Dom Brokerski sp. z o.o.	8	-	-	-	-	-
Fundacja Jolanty i Leszka Czarnieckich	34	-	-	10	-	-
Getback S.A. (**)	863	-	-	274	-	-
Getin Holding S.A.	1,745	-	6	-	-	-
Getin Leasing S.A.	4	-	3	-	-	-
Getin Noble Bank S.A.	23,733	276	953	227,374	3,598	8,314
Home Broker S.A.	739	2,027	82	327	-	-
Idea Bank S.A.	9,633	-	424	15,748	-	289
Idea Fleet S. A.	-	222	-	-	-	-
Idea Leasing S.A.	3	-	-	-	-	-
Idea Money S.A.	1,558	-	5	-	-	-
Multifinance Expert Sp. z o.o.	8	-	-	-	-	-
Noble Concierge Sp. z o.o.	5	-	-	-	-	-
Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A.	622	-	3	-	-	-
Noble Securities S.A.	952	30	6	-	-	-
Open Finance S.A.	3,371	-	219	-	-	-
Open Finance Towarzystwo Funduszy Inwestycyjnych S.A.	405	-	2	-	-	-
Open Life TFI	1,413	-	6	-	-	-
RB Computer Sp. z o.o.	-	35	-	3	-	-
RB Investcom Sp. z o.o.	452	-	10	99	-	-
Sky Dress Sp. z o.o.	6	15	30	-	-	-
Tax Care S.A.	865	-	5	-	-	-
TU Europa S.A.	2,444	-	27	75	-	-
TU Europa Życie S.A.	2,370	-	6	78	-	-
Sax Development sp. z o.o.	309	-	1	-	-	-

(*) see Note 27

(**) Getback S.A. was a related undertaking until 15 June 2016.

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32.1. Parent Undertaking of Group

The Parent Undertaking of LC Corp S.A. until 15 September 2017 was LC Corp B.V., controlled by Mr Leszek Czarnecki. As a result of a transaction conducted on 15 September 2017, under which all the shares held by Mr Leszek Czarnecki and all the entities controlled by him (LC Corp B.V. with its registered office in Amsterdam, Open Finance S.A. with its registered office in Warsaw, Open Life TUŻ S.A. with its registered office in Warsaw and Getin Noble Bank S.A. with its registered office in Warsaw) were disposed of, Mr Czarnecki and all the aforementioned entities, as at 19 September 2017, lost control over the Company and ceased to be its Parent Undertaking within the meaning of the Polish Code of Commercial Partnerships and Companies. Currently, the Company has no Parent Undertaking.

32.2. Payment of Dividend by LC Corp S.A.

On 10 May 2017, the Ordinary General Meeting of LC Corp S.A. adopted a resolution on the payment of dividend on the following principles:

- a) Amount of dividend: PLN 31,329,000
- b) Amount of dividend per share: PLN 0.07
- c) Number of shares subject to dividend: 447,558,311 shares
- d) Record date: 25 July 2017
- e) Dividend payment date: 8 August 2017

Pursuant to the said resolution, LC Corp S.A. paid the dividend on 8 August 2017.

32.3. Remuneration to senior management of Group

	Year ended 31 December 2017	Year ended 31 December 2016
Current employee benefits	5,140	5,329
Jubilee bonuses and retirement severance payments	-	-
Termination benefits	-	-
Employee share-based benefits	-	-
Total remuneration paid to senior management except for Management Board and Supervisory Board	5,140	5,329

32.4. Remuneration to Members of Management Board and Supervisory Board

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

	Year ended 31 December 2017	Year ended 31 December 2016
Management Board – remuneration	13,603	9,347
Management Board – share-based benefits	-	-
Management Board (subsidiaries) – remuneration	326	51
Management Board (subsidiaries) – share-based benefits	-	-
Supervisory Board – remuneration	230	122
Supervisory Board – share-based benefits	-	-
Total	14,159	9,520

33. Information on Remuneration to Auditor or Entity Qualified for Auditing Financial Statements

2017

An agreement to audit the financial statements and consolidated financial statements of LC Corp S.A. for the year 2017 was concluded with Ernst & Young Audyt Polska Sp. z o.o. Sp. k., seated in Warsaw, on 12 June 2017. The remuneration under the above agreement totals PLN 100,000 net. An agreement to review the 2017 financial statements and consolidated financial statements of LC Corp S.A. for a half-year period was concluded on 12 June 2017. The remuneration under the above agreement totals PLN 55,000 net.

Also in 2017, Ernst & Young Audyt Polska Sp. z o.o. Sp.k. concluded agreements on the audit of the separate financial statements for 2017 of the following companies: Arkady Wrocławskie S.A., Warszawa Przyokopowa Sp. z o.o., Sky Tower S.A., LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp.k., LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp.k., LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp.k., Kraków Zielony Złocień Sp. z o.o. and LC Corp Invest XI Sp. z o.o.. The total remuneration on account of the above agreements was PLN 190,000.

2016

The agreement to audit the financial statements and consolidated financial statements of LC Corp S.A. for the year 2016 was concluded with Ernst & Young Audyt Polska Sp. z o.o. Sp. k., seated in Warsaw, on 10 October 2016. The remuneration under the above agreement totalled PLN 100,000 net. An agreement to review the 2016 financial statements and consolidated financial statements of LC Corp S.A. for a half-year period was concluded on 11 July 2016. The remuneration under the above agreement totals PLN 55,000 net.

Also in 2016, Ernst & Young Audyt Polska Sp. z o.o. Sp.k. concluded agreements on the audit of the separate financial statements for 2016 of the following companies: Arkady Wrocławskie S.A., Warszawa Przyokopowa Sp. z o.o., Sky Tower S.A., LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp.k., LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp.k., Kraków Zielony Złocień Sp. z o.o. oraz LC Corp Invest XI Sp. z o.o.. The total remuneration on account of the above agreements was PLN 175,000.

34. Objectives and Rules Governing Financial Risk Management

The main financial instruments used by the Group include bank loans and bonds as well as derivative instruments such as forward transactions and transactions hedging against the risk of rising interest rate of IRS type. The main purpose of loans and bonds is to obtain financial resources for the Group's activity. Temporary cash flow surpluses are deposited in banks as short-term deposits. The Group also has other financial instruments such as trade receivables and trade payables, which occur directly in the course of its business activity.

The principle by which the Group abides now is refraining from the trading in financial instruments.

In 2013, the Group extended its accounting policy by adding the guidelines for Hedge Accounting concerning the instruments hedging against the interest rate risk, and this policy was continued in subsequent years. The valuation of the hedging transactions of this type as at 31 December 2017 and as at 31 December 2016 is presented in Note 28.

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

34.1. Interest Rate Risk

The interest rate risk relates mainly to non-current financial liabilities, based on a floating interest rate. This risk is partly compensated by the indexation of revenue from lease. According to the provisions for long-term investment loans, the relevant companies effected IRS transactions, hedging against the interest rate risk. Quantitative exposure to the interest rate risk is presented in Note 35.2.

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34.2. Foreign Exchange Risk

The currency risk arising from the servicing of a foreign currency loan is minimised by collecting rents indexed against the currency of the loan financing the investment. The risk posed by time differences between invoicing and the repayment of the loan is minimised, depending on the market situation, by the purchase of a proper amount of currency at the dates of invoicing rents.

The currency risk associated with the initiation of a foreign currency loan (the financing of investment property under construction) is limited by entering into hedging transactions involving forward contracts.

In addition, the fair value measurement of assets in EUR (investment property), expressed in the financial statements at the average exchange rate of the National Bank of Poland, and the valuation of loans in EUR, reported in the financial statements at the same rate can cause significant unrealised foreign exchange differences. The table below shows the sensitivity of a net financial result to possible fluctuations of the euro exchange rates, on the assumption of the invariability of other factors. Because of a considerable instability of euro exchange rate in recent years, the sensitivity of the financial result for this year is presented for a change by 20 groszy.

	Increase/decrease in the exchange rate in PLN	Impact on the net financial result in PLN '000	Impact on equity in PLN '000
31 December 2017 (audited)	+ 0.20	42,312	42,312
	- 0.20	(42,312)	(42,312)
31 December 2016 (audited)	+ 0.20	38,867	38,867
	- 0.20	(38,867)	(38,867)

34.3. Credit Risk

The Group concludes transactions with renowned companies of good credit capacity. Moreover, owing to the current monitoring of receivables, the Group's exposure to the risk of uncollectible receivables is negligible. With regard to the sale of residential and retail premises and houses the credit risk does not occur, as their sale to retail customers is made on the basis of advance payments.

As at 31 December 2017, trade receivables amounted to PLN 16,294,000. The analysis of their maturities is presented in Note 21. Rental receivables of PLN 13,427,000 were secured with security deposits of PLN 7,684,000 and in the remaining part – with bank or insurance guarantees.

With regard to the Group's financial assets such as cash and cash equivalents, the Group's credit risk is minimal, because the Group deposits its funds in banks of good and stable financial standing.

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

34.4. Liquidity Risk

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

The Group concludes loan agreements with various banks to finance its projects. Maturity dates of successive repayments are adjusted to projected proceeds from the sale of respective projects.

The tables below present the Group's liabilities as at 31 December 2017 and as at 31 December 2016, by maturity dates, on the basis of contractual non-discounted payments.

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Interest-bearing (in PLN'000)

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Bonds (floating interest)	52,964	50,000	65,000	140,000	50,000	-	357,964
Bank loan in PLN (WIBOR)	50,207	-	-	-	-	-	50,207
Bank loan in PLN (WIBOR)	38,157	-	-	-	-	-	38,157
Bank loan in EUR (EURIBOR)	10,427	10,427	10,427	10,427	62,564	-	104,272
Bank loan in EUR (EURIBOR)	10,227	10,640	11,074	11,520	137,964	-	181,425
Bank loan in EUR (EURIBOR)	13,567	9,493	9,887	10,344	165,810	-	209,101
Bank loan in EUR (EURIBOR)	2,209	2,266	2,324	2,386	2,447	32,988	44,620
Bank loan in EUR (EURIBOR)	2,140	2,202	2,264	2,332	2,399	43,726	55,063
Bank loan in EUR (EURIBOR)	-	787	1,382	1,424	1,467	31,577	36,637
Bank loan in PLN (WIBOR)	-	1,187	-	-	-	-	1,187
Bank loan in EUR (EURIBOR)	-	-	-	-	-	-	-
Bank loan in PLN (WIBOR)	-	-	-	-	-	-	-
	179,898	87,002	102,358	178,433	422,651	108,291	1,078,633

Interest-free (in PLN'000)

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Liabilities on Account of Acquisition of Subsidiary	40,400	40,400	-	-	-	-	80,800
Trade and Other Payables	118,423	-	-	-	-	-	118,423
	158,823	40,400	-	-	-	-	199,223

31 December 2016 (audited)

Interest-bearing (in PLN'000)

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Bonds (floating interest)	2,732	50,000	50,000	65,000	140,000	-	307,732
Bank loan in PLN (WIBOR)	207	50,000	-	-	-	-	50,207
Bank loan in PLN (WIBOR)	157	38,000	-	-	-	-	38,157
Bank loan in EUR (EURIBOR)	139,762	-	-	-	-	-	139,762
Bank loan in EUR (EURIBOR)	10,423	10,848	11,286	11,746	12,219	156,934	213,456
Bank loan in EUR (EURIBOR)	13,919	9,694	10,069	10,487	10,971	175,871	231,011
Bank loan in EUR (EURIBOR)	2,284	2,343	2,404	2,465	2,530	43,150	55,176
Bank loan in EUR (EURIBOR)	788	1,627	1,696	1,769	1,844	41,058	48,782
	170,272	162,512	75,455	91,467	167,564	417,013	1,084,283

Interest-free (in PLN'000)

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Liabilities on Account of Acquisition of Subsidiary	40,400	40,400	40,400	-	-	-	121,200
Trade and Other Payables	89,895	-	-	-	-	-	89,895
	130,295	40,400	40,400	-	-	-	211,095

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35. Financial Instruments

35.1. Fair Values

The table below shows the balance sheet values of all financial instruments of the Group which were disclosed in the consolidated financial statements according to the value different from the fair value, in a breakdown by respective categories of assets and equity and liabilities, pursuant to IAS 39.

	31 December 2017 (audited)	31 December 2016 (audited)
Borrowings granted and receivables		
Cash in open trust accounts	16,692	5,471
Cash and other cash equivalents	344,248	354,851
Non-current receivables	11,684	7,191
Trade and other receivables (<i>net of budget receivables</i>)	15,296	15,273
Financial liabilities at amortised cost		
Trade and other payables (<i>net of budget liabilities</i>)	116,215	87,131
Liabilities on Account of Acquisition of Subsidiary	76,637	112,970
Interest-bearing loans and obligations, including:	1,076,576	1,082,660
<i>Loans and bonds at a floating interest rate</i>	1,076,576	1,082,660
<i>Loans and bonds at a fixed interest rate</i>	-	-

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

35.2. Interest Rate Risk

The tables below show the balance-sheet value of the Group's financial liabilities measured at amortised cost and exposed to the interest rate risk, in a breakdown by respective aging categories.

31 December 2017 (audited)

Fixed interest rate – transactions hedging against the interest rate risk, effected in connection with the loan agreements in EUR, are listed under the table

Floating interest rate (PLN '000)

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Bonds (floating interest)	52,849	49,858	64,796	139,598	49,582	-	356,683
Bank loan in PLN (WIBOR)	50,089	-	-	-	-	-	50,089
Bank loan in PLN (WIBOR)	38,092	-	-	-	-	-	38,092
Bank loan in EUR (EURIBOR)	10,427	10,427	10,427	10,427	61,951	-	103,659
Bank loan in EUR (EURIBOR) (*)	10,227	10,640	11,074	11,520	137,964	-	181,425
Bank loan in EUR (EURIBOR) (**)	13,567	9,493	9,887	10,344	165,828	-	209,119
Bank loan in EUR (EURIBOR) (***)	2,209	2,266	2,324	2,386	2,447	32,988	44,620
Bank loan in EUR (EURIBOR) (****)	2,141	2,202	2,264	2,332	2,399	43,727	55,065
Bank loan in EUR (EURIBOR)	-	787	1,382	1,424	1,467	31,577	36,637
Bank loan in PLN (WIBOR)	-	1,187	-	-	-	-	1,187
Bank loan in EUR (EURIBOR)	-	-	-	-	-	-	-
Bank loan in PLN (WIBOR)	-	-	-	-	-	-	-
	179,601	86,860	102,154	178,031	421,638	108,292	1,076,576

(*) Warszawa Przyokopowa Sp. z o.o. effected a transaction hedging against the interest rate risk (IRS) for the base amount of EUR 10,000,000 for a period from 30/06/2015 to 30/06/2020 and of EUR 37,600,000 for a period from 31/12/2014 to 31/12/2019.

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(**) Sky Tower S.A. effected a transaction hedging against the interest rate risk (IRS) for the base amount of EUR 18,300,000 for a period from 30/06/2016 to 01/07/2019 and of EUR 18,100,000 for a period from 30/09/2016 to 30/09/2019.

(***) LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp.k. effected a transaction hedging against the interest rate risk (IRS) for the base amount of EUR 7,500,000 for a period from 31/12/2014 to 31/12/2020.

(****) LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp.k. effected a transaction hedging against the interest rate risk (IRS) for the base amount of EUR 7,750,000 for a period from 31/08/2017 to 31/12/2025.

31 December 2016 (audited)

Fixed interest rate – transactions hedging against the interest rate risk, effected in connection with the loan agreements in EUR, are listed under the table

Floating interest rate (PLN '000) PLN

	<1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Bonds (floating interest)	2,752	49,780	49,758	64,704	139,481	-	306,475
Bank loan in PLN (WIBOR)	90	49,893	-	-	-	-	49,983
Bank loan in PLN (WIBOR)	149	37,885	-	-	-	-	38,034
Bank loan in EUR (EURIBOR)	139,762	-	-	-	-	-	139,762
Bank loan in EUR (EURIBOR) (*)	10,423	10,848	11,286	11,746	12,219	156,933	213,455
Bank loan in EUR (EURIBOR) (**)	13,919	9,694	10,069	10,487	10,971	175,851	230,991
Bank loan in EUR (EURIBOR) (***)	2,284	2,343	2,404	2,465	2,530	43,151	55,177
Bank loan in EUR (EURIBOR) (****)	788	1,627	1,696	1,769	1,844	41,059	48,783
	170,167	162,070	75,213	91,171	167,045	416,994	1,082,660

(*) Warszawa Przyokopowa Sp. z o.o. effected a transaction hedging against the interest rate risk (IRS) for the base amount of EUR 10,000,000 for a period from 30/06/2015 to 30/06/2020 and of EUR 37,600,000 for a period from 31/12/2014 to 31/12/2019.

(**) Sky Tower S.A. effected a transaction hedging against the interest rate risk (IRS) for the base amount of EUR 18,300,000 for a period from 30/06/2016 to 01/07/2019.

(***) LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp.k. effected a transaction hedging against the interest rate risk (IRS) for the base amount of EUR 7,500,000 for a period from 31/12/2014 to 31/12/2020.

(****) LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp.k. effected a transaction hedging against the interest rate risk (IRS) for the base amount of EUR 7,750,000 for a period from 31/08/2017 to 31/12/2025.

The sensitivity of the net financial result to changes in the interest rate in the year ended 31 December 2017 and the year ended 31 December 2016 is shown in the table below:

	Increase/decrease in exchange rate	EURIBOR	WIBOR
		Impact on net financial result in PLN '000	Impact on net financial result in PLN '000
31 December 2017 (audited)	1%	(2,136)	(3,598)
	-1%	2,136	3,598
31 December 2016 (audited)	1%	(2,411)	(3,257)
	-1%	2,411	3,257

35.3. Collaterals

The main collaterals used to secure loan repayment as at 31 December 2017 are presented below.

Security for Loans Granted to Finance Commercial Properties:

1. Security for the bank loan agreement concluded by Arkady Wrocławskie S.A.:
 - capped mortgage (*loan in EUR*) – up to the amount of EUR 37,500,000;
 - pledge on the shares of Arkady Wrocławskie S.A. held by LC Corp S.A. – up to the amount of EUR 37,500,000;
 - registered pledge on bank accounts (*loan in EUR*) – up to the amount of EUR 37,500,000;
 - assignment of rights arising from rental contracts, insurance and guarantees related to agreements with contractors;
 - declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure with regard to 113,700,000 ordinary registered shares of a nominal value of PLN 1.00 each being a part of the share capital of Arkady Wrocławskie S.A., encumbered with registered pledge, under financial and registered pledge agreement, on shares as security for the repayment of secured receivable;
 - support agreement concerning the loan repayment, concluded by LC Corp S.A.;
 - deposit of EUR 500,000.
 2. Security for transactions hedging against interest rate risk (COLLAR) (hedging agreement), which were established by Arkady Wrocławskie S.A. after the balance-sheet date under a framework agreement:
 - contractual mortgage of up to PLN 8,250,000;
 - declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure for a total amount of up to PLN 8,250,000;
 3. Security for the bank loan agreement concluded by Warszawa Przyokopowa Sp. z o.o.:
 - contractual capped mortgage of the highest priority up to the amount of EUR 75,957,124.43;
 - financial and registered pledges on accounts receivable from bank accounts with a power of attorney to manage the accounts;
 - registered pledge on all shares of Warszawa Przyokopowa Sp. z o.o. together with a financial pledge;
 - assignment to secure the borrower's rights arising from all agreements concluded by the Borrower;
 - subordination agreement on claims from other borrower's creditors being the borrower's partners, making them junior to the claims of the bank resulting from the Agreement;
 - declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure for a total amount of up to EUR 82,500,000;
 4. Security for the transactions hedging against foreign exchange risk and interest rate risk (hedging agreements), established by Warszawa Przyokopowa Sp. z o.o. pursuant to the framework agreement of 1 June 2012:
 - contractual mortgage of up to PLN 135,000,000;
 - declaration on submission to enforcement pursuant to Article 97 of the Banking Law for a total amount of up to PLN 135,000,000.
 5. Security for the agreement on a bank loan taken out by Sky Tower S.A.:
 - contractual mortgage of the highest priority of up to EUR 90.000.000;
 - financial and registered pledges on accounts receivable from bank accounts with a power of attorney to manage the accounts;
 - declaration on submission to enforcement pursuant to Article 97 of the Banking Law and Article 777 of the Code of Civil Procedure;
 - registered pledges on all shares of Sky Tower S.A., together with a financial pledge of up to EUR 90,000,000;
 - assignment to secure the borrower's rights arising from all agreements concluded by the Borrower;
 - subordination agreement on claims from other borrower's creditors being the borrower's partners, making them junior to the claims of the bank resulting from the Agreement.
 6. Security for the transactions hedging against foreign exchange risk and interest rate risk (hedging agreements), established by Sky Tower S.A. pursuant to the framework agreement of 27 December 2012:
 - contractual mortgage of the highest priority of up to EUR 44.000.000;
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- declaration on submission to enforcement pursuant to Article 97 of the Banking Law.
7. Security for the agreements on bank loans taken out by LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp.k.:
- contractual mortgage of up to the total of EUR 72,816,666.66, established on land owned by LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k. (as security for loan agreements for the 1st and 2nd stage of the project);
 - support agreement concluded by the borrower, the bank and the Issuer, pursuant to which the Issuer, acting as guarantor, will be obliged, among other things, to provide the borrower with financial support in the events specified in this agreement;
 - four blank promissory notes with promissory note agreements, guaranteed by the Issuer by the time of submitting the rental contracts to the Bank, covering at least 20% of the leasable space in the Silesia Star A building, concluded with tenants not related to the Issuer;
 - assignment of cash receivable arising from agreements on the building site insurance against construction and installation risks in the period of carrying out the project, and, upon its completion, the assignment of a cash receivable under the agreement on the real property insurance against fire and other accidents, concluded with an insurance company for the sum not lower than the amount due on account of the loan;
 - financial and registered pledges on accounts receivable from bank accounts with a power of attorney to manage the accounts;
 - surety agreement concluded by the borrower, the bank PKO BP S.A. and the Issuer, regarding the loan agreement for the implementation of stage 2 of Silesia Star in Katowice, pursuant to which LC Corp S.A., acting as surety, will be obliged to provide financial support to the borrower under the circumstances specified in the agreement, for potential cost overrun up to the maximum amount of PLN 31,750,000;
 - declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in conjunction with the support agreement and surety agreement mentioned above;
 - declaration on submission to enforcement pursuant to Article 97 of the Banking Law and Article 777 of the Code of Civil Procedure;
 - registered pledge on LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp.k.;
 - assignment to secure the borrower's rights arising from all agreements concluded by the Borrower;
 - subordination agreements on claims from other borrower's creditors being the borrower's partners, making them junior to the claims of the bank resulting from the Agreement.
8. Security for the transactions hedging against foreign exchange risk and interest rate risk (hedging agreements), established by LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp.k. pursuant to the framework agreement of 31 March 2016 (which replaced, upon its execution, the hedging agreement for the 1st stage of the project entered into on 30 June 2014) as security for both loan agreements:
- next ranking contractual mortgage of up to PLN 82,210,300, subordinated to the mortgage established as security for the investment loan and revolving loan for VAT on the land property owned by LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k.;
 - declaration on submission to enforcement pursuant to Article Article 777 of the Code of Civil Procedure.
9. Security for the agreement on a bank loan taken out by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp.k.:
- contractual mortgage for a total amount of up to EUR 35,550,000.00 established on the land property owned by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k.;
 - support agreement concluded by the borrower, mBank Hipoteczny S.A. and Kraków Zielony Złocień Sp. z o.o. – the Issuer's subsidiary as the guarantor, pursuant to which the guarantor will be obliged, among other things, to provide financial support to the borrower under the circumstances specified in the agreement;
 - declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure submitted by Kraków Zielony Złocień Sp. z o.o. towards mBank Hipoteczny S.A. in connection to the support agreement described above of up to PLN 4,500,000;
 - declaration of the borrower on voluntary submission to enforcement towards mBank Hipoteczny S.A. of up to EUR 35,550,000.00 pursuant to Article 777(1)(5) of the Code of Civil Procedure, due to any pecuniary liabilities of the Company towards the Bank resulting from the Loan agreement;
 - registered pledges on the rights to cash in all bank accounts of the Borrower up to the highest sum of security in the amount of EUR 35,550,000.00;
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- agreement on the assignment of claims from all agreements concluded by the borrower connected with the project implemented on the property;
 - subordination agreement on accounts receivable concluded by the borrower with other subsidiaries of the Issuer - LC Corp Invest XVII Sp. z o.o., Kraków Zielony Złocień Sp. z o.o. and LC Corp Invest I Sp. z o.o., making them subordinated creditors and mBank Hipoteczny S.A. as senior creditor, including the assignment to secure all subordinated accounts receivable for the bank in accordance with the above agreement;
 - registered pledge in favour of mBank Hipoteczny S.A. established by LC Corp Invest XVII Sp. z o.o. – a subsidiary of the Issuer, with regard to the rights and obligations due to LC Corp Invest XVII Sp. z o.o. as the general partner of the borrower to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of EUR 35,550,000.
10. Security for the transactions hedging against foreign exchange risk and interest rate risk (hedging agreements), established by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp.k. pursuant to the framework agreement of 30 November 2016 as security for the loan agreement in favour of mBank S.A.:
- next ranking contractual mortgage of up to PLN 32,985,000.00, subordinated to the mortgage established as security for the investment loan and revolving loan for VAT on the land property owned by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k.;
 - declaration on submission to enforcement pursuant to Article Article 777 of the Code of Civil Procedure of up to PLN 32,985,000.00.
11. Security for the agreement on a revolving bank loan taken out by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp.k. to pre-finance a VAT refund up to PLN 6,000,000.00;
- contractual mortgage for a total amount of up to PLN 9,000,000.00 established on the land property owned by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k.;
 - instruction to block funds in the borrower's account;
 - declaration of the borrower on voluntary submission to enforcement towards mBank Hipoteczny S.A. of up to PLN 9,000,000.00 pursuant to Article 777(1)(5) of the Code of Civil Procedure, due to any pecuniary liabilities of the Company towards the Bank resulting from the Loan agreement;
12. Security for the agreement on a bank loan taken out by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp.k.:
- contractual mortgage of up to EUR 36,280,500.00 established on the land property owned by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. in favour of mBank Hipoteczny S.A.;
 - contractual mortgage of up to EUR 15,000,000.00 established on the land property owned by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. in favour of mBank S.A.;
 - contractual mortgage of up to PLN 10,500,000.00 established on the land property owned by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k. in favour of mBank S.A.;
 - declaration of the borrower on voluntary submission to enforcement towards mBank Hipoteczny S.A. of up to EUR 36,280,500.00 pursuant to Article 777(1)(5) of the Code of Civil Procedure, due to any pecuniary liabilities of the Company towards the Bank resulting from the Loan agreement;
 - declaration of the borrower on voluntary submission to enforcement towards mBank Hipoteczny S.A. of up to EUR 15,000,000.00 pursuant to Article 777(1)(5) of the Code of Civil Procedure, due to any pecuniary liabilities of the Company towards the Bank resulting from the Loan agreement;
 - declaration of the borrower on voluntary submission to enforcement towards mBank Hipoteczny S.A. of up to PLN 10,500,000.00 pursuant to Article 777(1)(5) of the Code of Civil Procedure, due to any pecuniary liabilities of the Company towards the Bank resulting from the Loan agreement;
 - agreement on the assignment of claims from all agreements concluded by the borrower connected with the project implemented on the property;
 - registered pledges on the rights to cash in all bank accounts of the Borrower up to the highest sum of security in the amount of EUR 36,280,500.00 in favour of mBank Hipoteczny S.A.;
 - registered pledges on the rights to cash in all bank accounts of the Borrower up to the highest sum of security in the amount of EUR 15,000,000.00 and PLN 10,500,000 in favour of mBank S.A.;
 - subordination agreement on accounts receivable concluded by the borrower, LC Corp S.A. and other subsidiaries of the Issuer - LC Corp Invest XVII Sp. z o.o. and LC Corp Invest I Sp. z o.o., making them subordinated creditors,
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- and mBank S.A. and mBank Hipoteczny S.A. as senior creditors, including the assignment to secure all subordinated accounts receivable for the bank in accordance with the above agreement;
- support agreement concluded by the borrower, mBank Hipoteczny S.A., mBank S.A. and LC Corp S.A. as the guarantor, pursuant to which the guarantor will be obliged, among other things, to provide financial support to the borrower under the circumstances specified in the agreement;
 - declaration of LC Corp S.A. on its submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in conjunction with the above-mentioned support agreement up to EUR 3,576,261.90;
 - surety agreement concluded by the borrower, mBank Hipoteczny S.A., mBank S.A. and LC Corp S.A., under which LC Corp S.A. will stand surety for the borrower up to a partial amount of the borrower's liabilities as a result of achieving a certain level of DSCR ;
 - commitment to enter into a support agreement with the borrower, mBank Hipoteczny S.A., mBank S.A. and LC Corp S.A. as the guarantor, pursuant to which the guarantor will be obliged, among other things, to provide financial support to the borrower under the circumstances specified in the agreement;
 - declaration of LC Corp S.A. on its submission to enforcement pursuant to Article 777 of the Code of Civil Procedure in conjunction with the above-mentioned support agreement up to EUR 558.660,50;
 - registered pledge in favour of mBank Hipoteczny S.A. established by LC Corp Invest XVII Sp. z o.o. – a subsidiary of the Issuer, with regard to the rights and obligations due to LC Corp Invest XVII Sp. z o.o. as the general partner of the borrower to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of EUR 36,280,500.00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;
 - registered pledge in favour of mBank S.A. established by LC Corp Invest XVII Sp. z o.o. – a subsidiary of the Issuer, with regard to the rights and obligations due to LC Corp Invest XVII Sp. z o.o. as the general partner of the borrower to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of EUR 15,000,000.00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;
 - registered pledge in favour of mBank S.A. established by LC Corp Invest XVII Sp. z o.o. – a subsidiary of the Issuer, with regard to the rights and obligations due to LC Corp Invest XVII Sp. z o.o. as the general partner of the borrower to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of PLN 10,500,000.00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;
 - registered pledge in favour of mBank Hipoteczny S.A. established by LC Corp S.A. with regard to the rights and obligations due to the limited partner of the borrower to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of EUR 36,280,500.00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;
 - registered pledge in favour of mBank Hipoteczny S.A. established by LC Corp S.A. with regard to the rights and obligations due to the limited partner of the borrower to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of EUR 15,000,000.00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;
 - registered pledge in favour of mBank Hipoteczny S.A. established by LC Corp S.A. with regard to the rights and obligations due to the limited partner of the borrower to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of PLN 10.500.000,00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;
 - registered pledge on the enterprise (a set of movables and transferable rights) in favour of mBank Hipoteczny S.A. established by the borrower with regard to the rights and obligations due to the limited partner of the borrower to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of EUR 36,280,500.00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;
 - registered pledge on the enterprise (a set of movables and transferable rights) in favour of mBank S.A. established by the borrower with regard to the rights and obligations due to the limited partner of the borrower to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of EUR 15,000,000.00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;
 - registered pledge on the enterprise (a set of movables and transferable rights) in favour of mBank S.A. established by the borrower with regard to the rights and obligations due to the limited partner of the borrower to secure the
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- repayment of secured accounts receivable up to the highest sum of security in the amount of PLN 10.500.000,00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;
- contractual mortgage of up to EUR 36,280,500.00 established on the land property owned by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. in favour of mBank Hipoteczny S.A.;
 - contractual mortgage of up to EUR 15,000,000.00 established on the land property owned by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. in favour of mBank S.A.;
 - declaration of LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. on voluntary submission to enforcement towards mBank Hipoteczny S.A. up to EUR 36,280,500.00 pursuant to Article 777(1)(5) of the Code of Civil Procedure, due to any pecuniary liabilities of the Company towards the Bank resulting from the Loan agreement;
 - declaration of LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. on voluntary submission to enforcement towards mBank S.A. up to EUR 15,000,000.00 pursuant to Article 777(1)(5) of the Code of Civil Procedure, due to any pecuniary liabilities of the Company towards the Bank resulting from the Loan agreement;
 - registered pledges on the rights to cash in all bank accounts of the Borrower up to the highest sum of security in the amount of EUR 36,280,500.00, established by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. in favour of mBank Hipoteczny S.A., together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure and a power of attorney with respect to these accounts;
 - registered pledges on the rights to cash in all bank accounts of the Borrower up to the highest sum of security in the amount of EUR 15,000,000.00 and PLN 10,500,000, established by LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. in favour of mBank S.A., together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure and a power of attorney with respect to these accounts;
 - registered pledge in favour of mBank Hipoteczny S.A. established by LC Corp Invest XVII Sp. z o.o. – a subsidiary of the Issuer, with regard to the rights and obligations due to LC Corp Invest XVII Sp. z o.o. as the general partner of LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of EUR 36,280,500.00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;
 - registered pledge in favour of mBank S.A. established by LC Corp Invest XVII Sp. z o.o. – a subsidiary of the Issuer, with regard to the rights and obligations due to LC Corp Invest XVII Sp. z o.o. as the general partner of LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k. to secure the repayment of secured accounts receivable up to the highest sum of security in the amount of EUR 15,000,000.00 together with a declaration on submission to enforcement pursuant to Article 777 of the Code of Civil Procedure;
13. Security for the transactions hedging against foreign exchange risk and interest rate risk (hedging agreements), established by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp.k. pursuant to the framework agreement as security for the loan agreement in favour of mBank S.A.:
- next ranking contractual mortgage of up to PLN 32,235,000, subordinated to the mortgage established as security for the investment loan and revolving loan for VAT on the land property owned by LC Corp Invest XVII Sp. z o.o. Projekt 22 Sp. k.;
 - registered pledges on the rights to cash in all bank accounts of the Borrower up to the highest sum of security in the amount of PLN 32,235,000 in favour of mBank S.A.;
 - declaration on submission to enforcement pursuant to Article Article 777 of the Code of Civil Procedure of up to PLN 32,235,000.

Security for Loans Granted to Finance Residential Projects or Finance Acquisition of Land for Such Projects and Their Initial Stages:

1. The bank loan agreements taken out by LC Corp S.A. with Getin Noble Bank S.A. are secured by:
 - a) with regard to the loan agreement of 29 April 2014 for PLN 50,000,000:
 - joint contractual mortgage of up to PLN 75,000,000.00 on the real property owned by the Issuer and on the real property owned by the Issuer's subsidiaries - LC Corp Invest II Sp. z o.o. and LC Corp Invest XV Sp. z o.o. Investments S.K.A.;
 - surety granted by the Issuer's subsidiaries - LC Corp Invest II Sp. z o.o. and LC Corp Invest XV sp. z o.o. Investments S.K.A.;
 - declaration on submission to enforcement pursuant to Article 97 of the Banking Law.
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- b) with regard to the loan agreement of 18 June 2014 for PLN 40,000,000:
- joint contractual mortgage of up to PLN 60,000,000.00 on the real property to which the right of perpetual usufruct was granted to LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k.;
 - surety granted by the Issuer's subsidiary - LC Corp Invest XV Sp. z o.o. and LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k.;
 - declaration on submission to enforcement pursuant to Article 97 of the Banking Law submitted by the Issuer's subsidiary – LC Corp Invest XV Sp. z o.o. Projekt 2 Sp. k., with a restriction to cancel the enforcement from the mortgaged property.
- c) with regard to the revolving loan agreement of 21 December 2016 of PLN 25,000,000:
- a power of attorney relating to all the borrower's accounts maintained with the bank;
 - declaration on borrower's submission towards the bank to enforcement pursuant to Article 777(1)(5) of the Code of Civil Procedure up to PLN 37,500,000.
2. On 25 July 2016, LC Corp Invest IX Sp. z o.o., in connection with the agreement on the transfer of the right of perpetual usufruct to the property located in Kraków at ul. Mogilska, established a contractual mortgage for the seller up to PLN 1,771,200.00. It secures the claim according to which when the company obtains the final decision regarding the building permit providing for an authorisation to implement on the acquired property a residential project of the usable floor area of the flats of over 11,500 m², the seller will be entitled to additional remuneration in the amount of PLN 800.00, increased by tax on goods and services for each square meter of usable floor area exceeding 11,500 m² obtained by the company.

36. Capital Management

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

The Group manages the capital structure and modifies it as a result of changes in economic conditions. In order to maintain or adjust the capital structure, the Group can change the payment of dividend to shareholders, return capital to shareholders or issue new shares. In the year ended 31 December 2017 and until 31 December 2016, there were no changes in the objectives, rules and processes binding in this area.

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

	31 December 2017 (audited)	31 December 2016 (audited)
Liabilities on Account of Loans and Bonds	1,076,576	1,082,660
Liabilities on Account of Acquisition of Subsidiary	76,637	112,970
Trade and Other Payables	118,423	89,895
A. Debt	1,271,636	1,285,525
B. Equity	1,448,376	1,396,152
Leverage ratio (A/B)	0.9	0.9

37. Events After End of Reporting Period

- 1) On 18 January 2018, Arkady Wrocławskie S.A. entered into, pursuant to the Framework Agreement on the manner of concluding and settling the transaction of 29 December 2017 with Bank Zachodni WBK S.A., a transaction to reduce the interest rate risk in the interest rate corridor (Collar) with regard to forward and derivative transactions arising from the performance of the Amendment of 29 December 2017 to the Loan Agreement of 28 February 2008 for EUR 25,000,000. The said transaction was effected for a period from 18 January 2018 to 30 December 2022.

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- 2) On 31 January 2018, the Company's Supervisory Board removed Mr Jakub Malski from the Company's Management Board; as a consequence, he ceased to act in his capacity as the First Vice President of the Management Board of the Company with effect from 9 February 2018.
- 3) On 8 February 2018, LC Corp Invest XVII sp. z o.o. Projekt 22 Sp. k., as the borrower, LC Corp Invest XVII sp. z o.o., as the general partner, LC Corp S.A., as the limited partner, and LC Corp Invest XVII sp. z o.o. Projekt 22 Sp. k., as the property debtor, provided securities to mBank Hipoteczny S.A. and mBank S.A. for the loan agreement of 20/12/2017.
- 4) On 27 February 2018, the Issuer, as the transferor, disposed of the ownership of the undeveloped land located at ul. Starogardzka in Gdańsk, a cadastral parcel identified with the number 153/1, with the area of 0.7532 m² for a price of PLN 4,632,180.00 gross.
- 5) On 28 February 2018, 45,000 four-year unsecured coupon bonds having a par value of PLN 1,000 each and a total nominal value of PLN 45,000,000 were issued under a Bond Issue Agreement with the buyback date set at 28 February 2022 concluded with the banks Pekao S.A. having its registered office in Warsaw and mBank S.A. (formerly BRE Bank S.A.) having its registered office in Warsaw.
- 6) On 15 March 2018, an Issuer's subsidiary, i.e. LC Corp Invest X Sp. z o.o. – as the purchaser – entered into a purchase agreement in the form of a notarial deed, under which the right of ownership to land located at ul. Dożynkowa in Wrocław, of the total area of 14,396 m², and to other benefits arising from the agreement, for a net price of PLN 11,680,000.00. The said real property is designated for multi-family residential development.
- 7) On 16 March 2018, the minutes of an open public oral tender (auction) which was announced by the President of Gdańsk and took place on 7 March 2018, have been signed. The aim of the tender process was to sell undeveloped real property of the area of 13.002 ha, situated at ul. Letnicka in Gdańsk. The said real property was owned by the urban commune of Gdańsk. The Issuer, which put forward a bid price in the amount of PLN 24,376,600.00 gross – including VAT at a rate of 23%, won the tender and thus purchased the said real property. The date of executing an agreement under which the ownership of the aforementioned real property will be transferred has been scheduled for 9 April 2018.

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President of Management Board
Dariusz Niedośpiał

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Member of Management Board
Mirosław Kujawski

.....
Member of Management Board
Tomasz Wróbel

.....
Member of Management Board
Małgorzata Danek

.....
Member of Management Board
Radosław Stefurak

.....
Director of
Accounting Department
Lidia Kotowska

.....
Chief Accountant
Anna Gremblewska-Nowak

.....
Head of Financial Reporting and
Consolidation
Michał Michalczyk

Wrocław, 19 March 2018